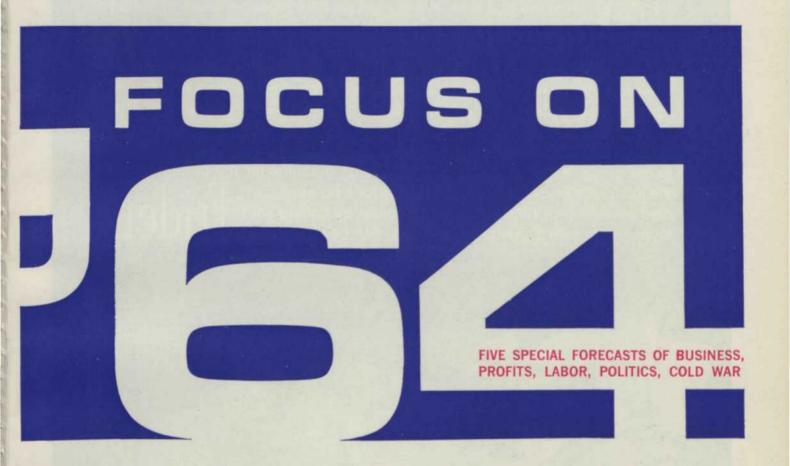
# Nation's Business

USEFUL LOOK AHEAD

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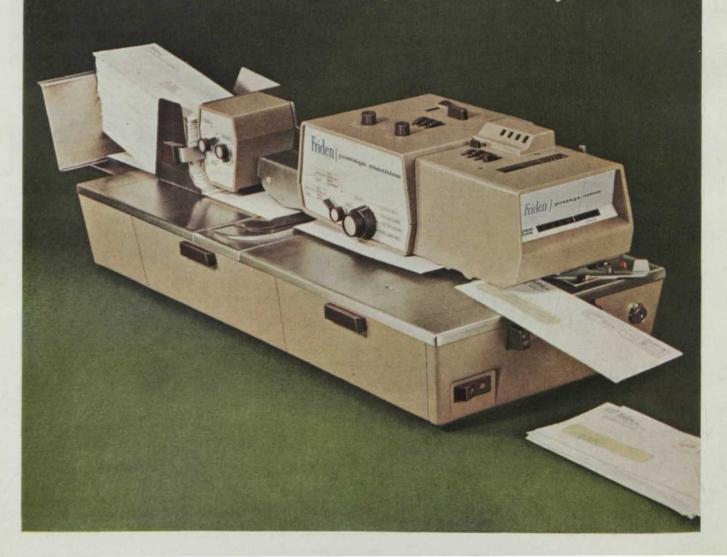


Former Kennedy Cabinet member opposes Administration health care proposal, warns of budget crisis PAGE 42

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# Nation's Business

December 1963 Vol. 51 No. 12 Published by the Chamber of Commerce of the United States Washington, D.C.

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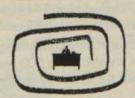
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Nation's Business is published monthly at 1615 H St. N.W., Washington, D. C. 20006, Subscription rates: United States and possessions \$19.75 for three years; other countries \$10 a year. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. ©, 1963, by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only.

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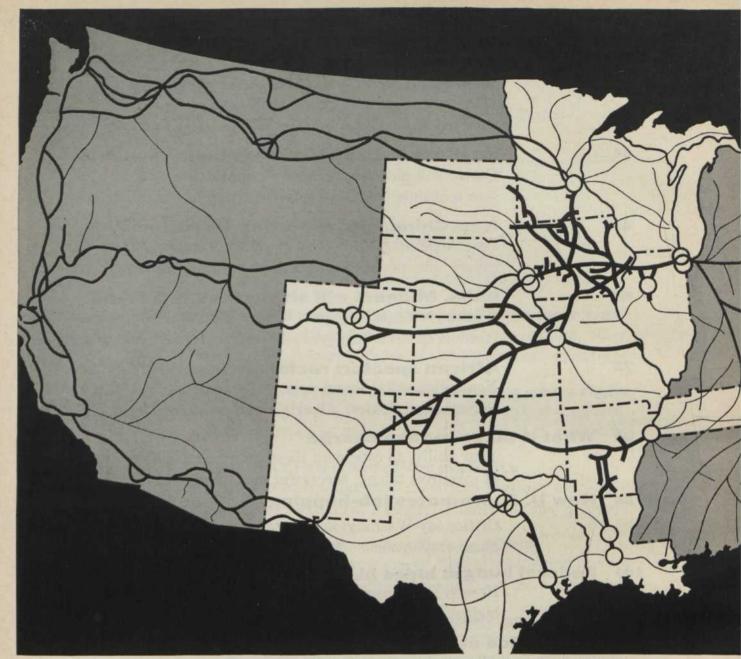
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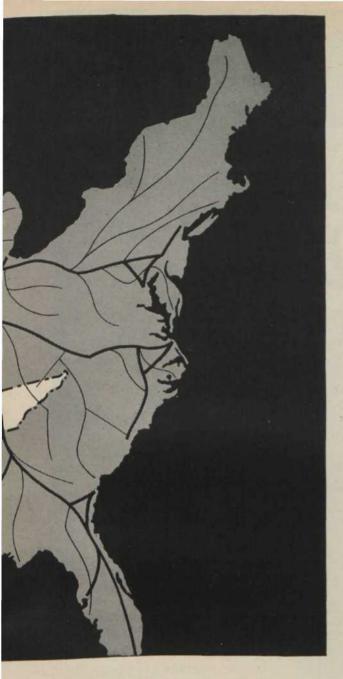
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Dallas, Texas	Cotton Belt, Frisco, FW&D, Katy, L&A Santa Fe, T&NO, and T&P
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Eunice, La	MP and T&NO
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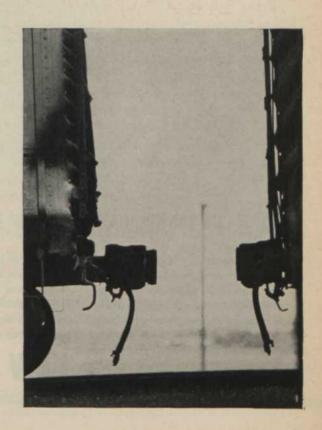
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# WASHINGTON BUSINESS OUTLOOK

**Set your sights on growth.** It's reasonable to expect business and industry to produce and sell \$610 billion worth of goods and services next year.

That'll be \$30 billion increase for the year. Add \$10 billion if taxes are cut in time.

Legislative tangle is sure to carry over to next session, which starts in January.

Many issues important to business will go unsettled.

Tax cut could be one of them.

If that happens, you can expect fresh and firmer commitments from Administration during January to hold rising cost of federal government in check.

It's good guess now it'll happen that way, that new pledges of government economy will be made when President addresses Congress.

**Compare your views** on business prospects with those of executives across the country.

Wyandotte, Mich.—Robert B. Semple, president of Wyandotte Chemicals Corporation, tells Nation's Business he looks for some forward momentum to be sustained even if taxes aren't cut.

But delay, he says, "certainly would have a dampening effect."

Fort Wayne, Ind.—Tax reduction would insure good business for two or three years, says James D. Edgett, president of North American Van Lines.

Cleveland—John S. Fangboner, president of National City Bank of Cleveland, is optimistic because he thinks taxes will be cut.

Delay, he believes, would mean that 1964 volume would merely match 1963—at best.

Port Huron, Mich.—Fred L. Riggin Jr., who heads Mueller Brass Company, agrees that taxcut delay would cause a slow-up.

Baltimore-"Slight decline if taxes aren't

cut," says W. Arthur Grotz, president of Western Maryland Railway.

Biggest business challenges in '64? Views vary.

Butte, Mont.—"Government competition and excessive regulation" are big problems, says J. E. Corette, president and general manager of Montana Power Company.

Coatesville, Pa.—"Increased domestic and foreign competition, as well as the profit squeeze," says Charles L. Huston Jr., president of Lukens Steel Company. He looks for recession if taxes aren't cut.

New York—William R. Adams, president of St. Regis Paper Company, lists decisions regarding expansion as a key problem for the year ahead.

Kansas City—A. C. Swanson, president of Western Auto Supply Company, says "staying ahead of competition—as usual" is biggest challenge. He's optimistic; thinks a few prices will go up, a few will go down.

Providence, R. I.—Textron Corporation's executive vice president, J. B. Collinson, is among the optimists but sees need to retain profit margins as continuing struggle.

Fort Worth—Lewis H. Bond, president of Fort Worth National Bank, believes delaying tax reduction will dampen business but he's optimistic because he thinks volume would "still be reasonably good."

Chicago—J. W. Coultrap, president of the Miehle-Goss-Dexter Corporation says continuing price-cost squeeze will be a problem in '64 but counts himself an optimist.

Hartford—Charles J. Zimmerman, president of Connecticut Mutual Life Insurance Company, is optimistic, will work on "strengthening and expanding the sales force."

Wage earners will get eight to 10 cents an hour more next year. That's shown by survey of

businessmen. It's about equal to average for past couple of years. Other findings of Nation's Business survey on page 33.

Government can speed spending, take up slack in U. S. economy.

So goes theory among advocates of bigger government programs.

But don't count on it.

Once business slumps—which could happen in the next 24 months, though it's regarded as unlikely—there's little that government could be expected to do to avoid America's fifth postwar recession.

For one thing there's no proof that big government spending is sound basis for good economic growth.

There's good reason to believe that huge cost of government actually retards national economic growth.

**Deficit of \$9 billion** is already planned for fiscal '64 (and running on schedule so far), although it could easily exceed that sum because of bad spending and tax revenue guesses.

Red-ink spending this year, as in others past, has failed to reduce unemployment problems.

**Theorizers argue** that unemployment could be reduced, economy made to run faster, if government deficit were larger.

But topside government leaders scrap this theory—for now at least.

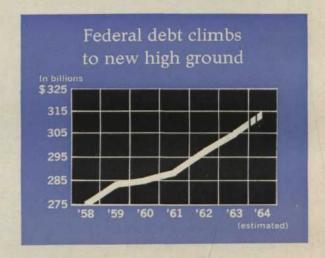
Both Administration and key congressmen are consciously choosing tax cut over bigger spending to boost economic activity.

Reason: According to best tests of public sentiment, that is how voters back home seem to want it.

**Sure to be a top issue** in next session of Congress—growing federal debt.

Debt now is expected to fluctuate uncomfortably close to \$315 billion through next June, may actually exceed that ceiling temporarily about middle of June.

Look for Administration to ask for higher ceiling to cover deficit spending during the second half of '64.



Assumption that voters want Washington dollars for local projects spurs some congressmen to support lavish programs during election years.

Big-spending advocates will stress this in '64 legislative session.

There's an expensive list of projects sure to come up again.

Including:

Expansion of funds for Area Redevelopment Administration to finance more government-subsidized local industries.

Bigger kitty for Accelerated Public Works in communities.

Taxpayer handouts to local transit systems. Federal subsidies for elementary and secondary schools, buildings as well as teacher salaries, to cost billions over years ahead.

Limited health care for some of the aged through social security taxes, at estimated cost

# WASHINGTON BUSINESS OUTLOOK

of more than \$1 billion during first year alone, more billions in all years thereafter.

Establishment of Department of Urban Affairs to handle city problems from Washington.

And many others-none cheap.

Whereas the efforts to push these programs through will be strong, opposition to them will likewise be strong.

The question in this Christmas month is: Which forces will win?

**Election-year appeal** of big government programs is fading.

So say many congressmen.

Polls show public opinion strongly against high spending when government runs red-ink budget, year after red-ink year.

Adding to huge deficit at same time taxes are cut meets especially strong constituent disfavor.

Adds up to this: Congressmen and senators are feeling pressures from home for cutting cost of government.

As pressure grows, chances will improve that many lavish spending schemes will end up in legislative pigeonhole.

Don't be misled by big profit reports you're reading about.

Business is good.

But profit after taxes, as a per cent of sales, is a mere 2.6 per cent.

That's now, this year—when dollar profits were never higher.

And return on sales and investment was seldom lower.

**High cost of government** curtails business earnings.

Earnings pattern since World War II divides into three phases.

First phase—'45 to about '50: Taxes go down. Profit margin goes up.

Second phase—'50 to about '57: Tax rates are boosted sharply. Profit margin drops.

Third phase—'58 to present: Wartime tax rates are continued. Profit margin fluctuates around very low level.

Fourth phase? Could be starting now.

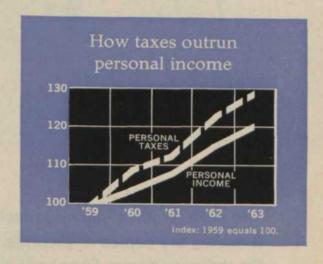
Jules Backman, research professor of economics at New York University, discusses this possibility on page 36.

If improvement comes as expected, it could mean reduction of unemployment in several years to come.

# High taxes chop personal earnings as well.

Study shows personal income today is about 21 per cent higher than it was in '59.

Personal taxes are 30 per cent higher.



## There's new interest being shown in foreign business.

Many U. S. companies have men looking in Europe, Latin America, Japan.

Idea: To find ways to boost sales abroad.

Exports are expected to top \$22 billion in year ahead, \$500 million increase over '63.



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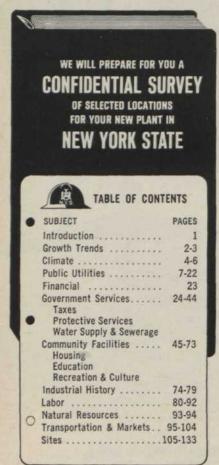
It does everything the 914 does except copy rigid three-dimensional objects.

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You can borrow the \$13, too. You pay only for the copies you make. Including all charges, it costs you about 5¢ per copy plus a penny for supplies, based on a minimum number of copies made per month. There are no maintenance contracts to buy. Xerox takes care of the \$13-If seeing is believing simply call your nearest Xerox office for a personal demonstration. Xerox Corporation, Rochester, N. Y. Offices in principal U.S. cities. In Canada, Xerox of Canada, Ltd. Overseas: Rank Xerox Ltd., London; Fuji-Xerox Co., Ltd., Tokyo.

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# Executive Trends

- Foreign firms strengthen skills
- · What it takes to manage salesmen
- Are creative men troublemakers?

Significant changes are under way in the European—and Japanese modes of managing. They could foreshadow even tougher foreign competition for American companies.

Editors of NATION'S BUSINESS talked to business leaders and educators from leading industrial countries.

Here is the picture which emerges:
Foreign firms, spurred by booms in their national economies, are streamlining their ways of doing business. Management, as a practice, is getting almost as much attention in some countries as the latest developments in technology

and machine production. One of Japan's leading industrialists-heading a firm which is biting deeper into the American market-modestly avers that the United States still holds the edge in the know-how it takes to run a large enterprise efficiently. His own company, he says, aims to emulate the most effective practices of U.S. companies. He is aided in this effort by his American educational background and the standing instructions he has given his aides to study the know-how of industrialized countries, including the United States.

Item: A German businessman says a new spirit of open-mindedness is taking hold in his company, and with it a studied acceleration of the organization's capability to make faster and more efficient decisions.

Conflicting currents buffet companies in the U. S. and abroad.

In Europe, where vertical struc-

ture and outright autocracy have marked organizational patterns in the past, there is evidence now of experimentation with more democratic forms of operation.

The power of decision is moving into more hands as some European companies adopt a horizontal executive format. This is a break with tradition

In part, Europe's movement to more participative management is the result of rapid corporate growth. Expansion of a company's size and volume can stretch an individual manager's span of control to intolerable breadth.

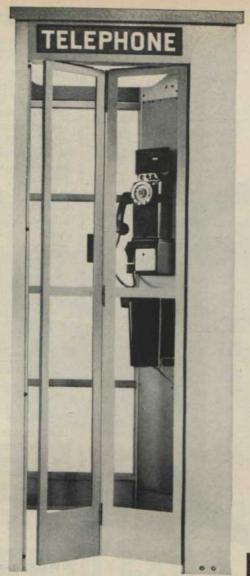
In America, meanwhile, authorities are watching with interest the decision of some major firms to recentralize functions which were widely decentralized only a few years ago. New information systems, with their economies of scale and time, are among the factors back of the revived interest in recentralization. Knowledge of these systems, in the view of some experts, could be the key to a man's promotability in the company of the future.

Should wives take part in executive development programs?

Some are.

Exhibit A—the University of Kansas "Personal Development Institute," an evening program attended by many managers in the Kansas City, Kans., area.

N. Webster Rickhoff, manager of the University's extension, says a number of wives have enrolled in the course along with their husbands. He attributes this to the fact



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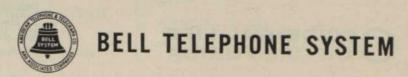
Outdoor phones on your public property belong to any citizen any time he needs a telephone.

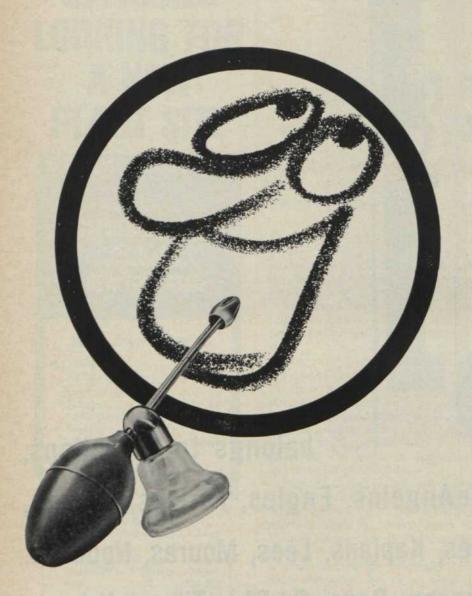
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### **EXECUTIVE TRENDS**

continued

that some of today's wives "are vitally interested in the professional aspects of their husbands' business or profession."

Correspondingly, Mr. Rickhoff says, "husbands often need the kind of moral support their wives can give them when they are well informed."

The Kansas City program is conducted by James H. Morrison, a training specialist for the Western Auto Supply Company. The program deals with communication, creativity, motivation—subjects which, in Mr. Rickhoff's opinion, "wives should know about as well as their executive husbands."

Mr. Morrison says "students" who bring their wives do so for several reasons, including the opportunity the program presents for "a common experience of an intellectual and cultural nature."

Most sales managers have shaken their heads over the phenomenon of a salesman who has nothing going for him but consistent success.

"I almost fired one of our best men two minutes after I met him for the first time," one sales executive recounts. "The guy was sloppy fat, talked with a slur, and had absolutely none of the expected characteristics of a top performer. Yet he was honest and well liked by his customers and, most important of all, he was doing a bangup job. How do you explain something like that?"

The question he raises has tantalized some of the nation's best business psychologists. But, while the dynamics of successful salesmanship seem to have no precise guidelines, there is little disagreement that a man must possess certain minimal, definable traits to manage other salesmen successfully.

Here are a few of the prerequisites for a good sales manager—compiled by Paul H. Kiernan, managing director of an international executive search firm:

- 1. A good sales manager maintains contact with the field, but he does not try to continue to sell no matter how talented he might be at that job. "A sales manager's job," says Mr. Kiernan, "is to select, train, organize, inform, control and compensate his people."
- 2. He creates and maintains a realistic compensation plan for his sales force. He establishes targets that



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### **EXECUTIVE TRENDS**

continued

are attainable and resists the temptation to cut the commissions of his best men.

- 3. The good sales manager works in a planned way by setting goals, aiming his action, and measuring his results against yardsticks that are meaningful.
- 4. He has a private goal of his own. "Surprisingly," says Mr. Kiernan, "many sales managers have never given real thought to the real objectives they are trying to gain by working so long and hard. A few have carefully thought out goals of their own. In my experience it is these last few who usually reach the top—because they had their sights set on the top all along."

A new administrative assistant recently asked his boss:

"Do you want me to review all your correspondence and reports?"

"That won't be necessary," the superior replied. "Review only those which have two or more initials. In those cases I find that nobody has really shouldered responsibility."

Companies which say they want the creative worker often react with surprise when they discover that he is a kind of troublemaker, says N. Richard Diller, associate professor of psychology at Pennsylvania State University.

Mr. Diller is by no means opposed to creativity. He makes his point simply to bring into sharper relief the characteristics and needs of the creative person. He feels these qualities are not widely enough understood and, as a result, creative people are at times ineffectively utilized.

"Management must make up its mind," says Mr. Diller. "Does it truly want individuality and creativity? If it does, it will have to understand the possible consequences, both pleasing and perhaps at times disturbing.

"To be more specific," he continues, "management must recognize that the creative mind is a questioning mind. It will almost naturally question many policies and procedures. Growth and improvement can result in all areas of company operations if a company will be brave enough to permit questioning,

(continued on page 23)



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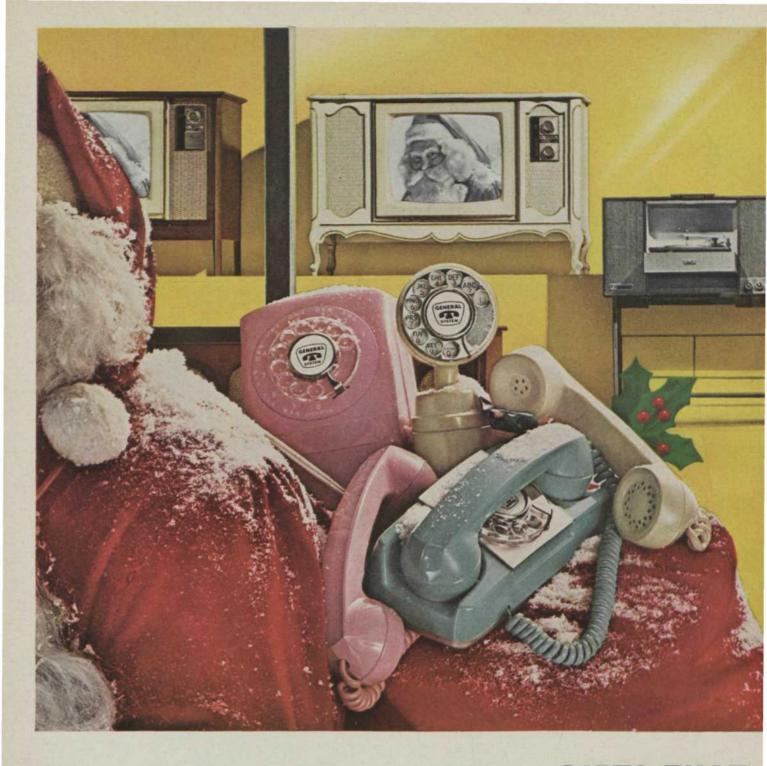
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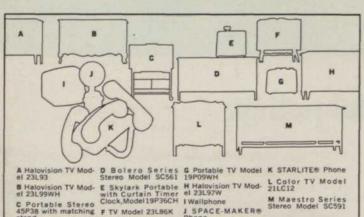
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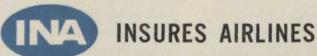


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### **EXECUTIVE TRENDS**

continued

investigation, and creative suggestion."

Some noteworthy traits of creative men—as pinpointed by Mr. Diller:

They are more intelligent than average workers; they are more inclined to resist authority; they want to know the "why" of a decision; they are more objective and act more on fact than feeling; they are "bored," if not "greatly disturbed," by routine detail.

. . .

If your company is planning an exhibit at the World's Fair, or at other trade showings, beware of pitfalls.

Expert advice comes from Peter Corn of New York, an exhibit specialist with domestic and international accounts.

Here are some do's and don'ts: Do allow plenty of time to plan your exhibit. Many shows in Europe are three years in the planning stage, in contrast to one year in the United States. Budgets should be set up a year in advance.

Do use three dimensions. Use actual equipment in operation if possible. A swimming equipment manufacturer in Italy used a huge tank to demonstrate use of his products under water, in view of onlookers.

Do expose visitors to senses of touch (textiles), taste (food products), or even smell. At a German fair planted trees gave off an aroma of pine forests as the proper medium for selling camping equipment.

Do list names of company experts visitors can contact and when they will be available at the show booth.

Don't make your booth a girly show just to attract visitors.

Don't design your booth too big and complex to move it from one trade fair to another.

Don't let an engineer or scientist write the copy to attract visitors.

Don't try to draw the masses if you're not trying to sell to the masses eventually.

You can get a bulk-order discount on tickets to the World's Fair. (It opens next April 22 in New York.)

Regular ticket prices will be \$2 for adults, \$1 for children. But if you order 50 or more tickets—perhaps for distribution to your employes—the prices, respectively, are \$1.35 and 67½ cents. For further information write ticket sales office, New York World's Fair Corporation, Flushing 52, N. Y.

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# TRENDS: WASHINGTON MOOD

# Sometimes everything seems to go wrong

BY MERRIMAN SMITH

THERE ARE IN WASHINGTON a number of individuals in and out of government whose professional duties require frequent trips into the American hinterlands. They speak before local groups, they bore into regional problems, they attempt to mend political fences.

Membership in this loosely organized travel club includes government officials of the less than top echelons, members of Congress bustling back to the native heath, depth-sounding correspondents, pollsters, and assorted others with air travel cards.

In recent weeks, some of the more frequent travelers out of our town have run into a strange inquiry at almost every stop. An earnest and apparently sincerely concerned businessman comes up to the authority on Washington and says almost pleadingly, "Will you tell me what in heaven's name is going on back in Washington?"

Inquiries of this nature relate usually to relations between the White House and Congress and/or the fact that the House and Senate have been most reluctant to complete passage of a number of highly important items.

An able authority on the Washington scene, Joseph Kraft, wrote recently in the New York *Herald Tribune*:

"The lackluster performance of the Congress on civil rights and taxes, together with its slow pace on appropriation bills, has called forth a spate of criticisms, explanations and defenses. But the most obvious and logical explanation seems widely ignored. It is that the Administration's program commands no overwhelming mandate in the country at large. Since it is not very popular in the country, it inspires little sense of mission in the Congress."

It is because of this lack of mandate that the chief executive is somewhat reluctant to slug it out in public with some of the ranking figures on Capitol Hill. He prefers doing business and applying pressure

Merriman Smith is the White House reporter for United Press International.

in the late afternoons when various key congressional figures are spirited in and out of the White House south grounds for *tête-à-tête* sessions with the President and his top congressional liaison men.

The Brothers Kennedy—the President and Attorney General Robert F. Kennedy—must have sensed some time ago that they were in deep legislative trouble this year. And being rather talented politicians, they



At home and abroad, bad breaks are piling up on the President, Attorney General Kennedy and associates

must have reasoned that next year, a national election year, might be a better time than this to put across some of their more contested legislative recommendations.

Such an estimate of timing, however, never could be admitted. The President has no choice but to drive and drive and drive toward his legislative goals, knowing full and realistically well that for many reasons his best target time for tough legislation is 1964, not 1963.

In the meantime, Capitol Hill cracksters refer to "the grim world of the Brothers Wonderful."

There is more truth than trick in statements of this sort. The world of the President, Attorney Gen-

# TRENDS: WASHINGTON MOOD

eral Kennedy, and their associates is rather grim right now.

Quite aside from the gluey legislative situation, the Administration seems at times to be luckless. Regardless of where the original fault may lie, the Administration draws one bad break after another, at home and overseas.

Take the moon-shot program for one example. President Kennedy and his space experts had argued repeatedly, eloquently, and vehemently about the importance of beating Russia to the moon. Then Soviet Premier Nikita S. Khrushchev came along and said what amounted to an "amen." Almost airily, Khrushchev said it would be a fine thing for American spacemen to make the first lunar flight. The Russians could learn from U. S. experience.

Whereupon, the chief executive's words of urgency concerning the moon race sagged and opponents of high expenditures for the program suddenly were armed with ammunition they had not anticipated.

Turn the pages of current Washington history and one finds the word "scandal" coming to the fore again. It is almost time-honored that during the course of any national administration, some of the lower level officials become involved in matters ethically or morally questionable and the cry of scandal rings out over the land.

Secretary of Navy Fred Korth departed the government on wings of Pentagon stationery on which he wrote some back-slapping letters in behalf of Texas banking interests with which he once was associated. Robert Baker, secretary to the Democratic majority in the Senate, also flew his coop when his outside business activities led to investigations by the Federal Bureau of Investigation and the Senate, itself.

White House officials and other administration leaders watched the so-called scandal development somewhat nervously, perhaps more than the situation justified.

The trouble here is that in seeking office, a candidate for the presidency blasts away at the misdeeds of the incumbents of the other party. Then, when he wins, he takes office and finds that in any collection of human beings there are bound to be a few trouble makers, and the resolute phrases of the election campaign come back to haunt him.

Another area of trouble developed for Mr. Kennedy; an important storm that escaped wide public notice at the time, but it demonstrated how out of the best intentions can come a harvest of sandspurs.

Deputy Defense Secretary Roswell L. Gilpatric was invited to speak to a national conference of editors and publishers held annually by United Press International. The meeting was in Chicago and Mr. Gilpatric put a great deal of thought and work into his speech draft.

In fact, the speech developed into such an important statement of Defense Department policy that the draft was circulated through the White House

and the State Department for careful study and suggestions before a final version was completed.

Mr. Gilpatric spoke shortly after the first published accounts of a magazine article by former President Dwight D. Eisenhower, who felt one division should be sufficient to show the U. S. flag in Europe instead of the present six divisions. General Eisenhower felt U. S. missile capability had improved to the point that we could reduce our manpower in Europe by at least five divisions.

The deputy defense secretary did not believe the matter could be approached this simply, but he did see a possibility of reduction in overseas manpower at some future date and undertaken in consultation with our major allies.

Later, answering questions about the situation, the official said he was not speaking in terms of actual troop movement back to this country from Europe, but for the immediate future, he had in mind only personnel involved with bases or equipment now regarded as outmoded. Nothing Mr. Gilpatric mentioned indicated any reduction in U. S. force in Germany. In fact, he mentioned during an ad lib part of his appearance that essentially it was the Americans and the West Germans who "man the bastions of Central Europe."

And what was the reaction? The new West German administration foamed up immediately and wanted to know whether Mr. Gilpatric was signaling the removal of American units from Germany. The situation, in fact, became so complicated that Secretary of State Dean Rusk quickly boarded a jet transport for Bonn to reassure our German allies that they were reading too much between the lines of the Gilpatric speech. The President added more reassurance at a press conference.

This may not seem to be much of a crisis to many Americans preoccupied with homefront problems, but it was the sort of thing that can take hours out of the day of a President and a secretary of state; the sort of marginal misunderstanding that can blow up without warning like an uncharted tropical disturbance. It is the sort of thing that happens when the breaks are going against an administration.

This and some of the aforementioned thorns can produce what professional golfers call "the yips" in the most seasoned politician and administrator. A sufferer from the yips is a seasoned golfer who begins to miss ridiculously easy shots. Translated into politics, it might be an official who drags his feet on making decisions because the breaks have been going against him.

Therefore, when someone outside our town asks, "What in heaven's name is going on in Washington?" the safest answer might be, "Wait until the first of the year and ask us again."

Congress has a way of holding up action on key legislation until the hours just ahead of adjournment. This being true, it would be difficult to appraise the Kennedy record of legislative accomplishment this year until all the returns are in. Meantime, the President pushes, probes and waits for a break. For him, it has been a long time between them.



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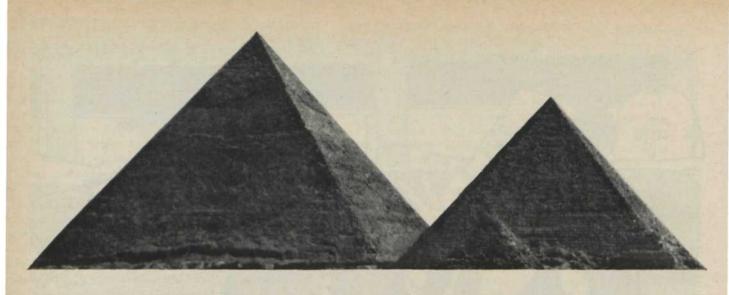
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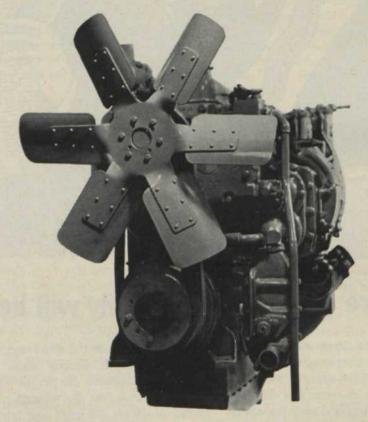
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# TRENDS: THE STATE OF THE NATION

# Action is needed to preserve election stability

BY FELIX MORLEY

ONE ASPECT of the American image is today especially intriguing to foreigners of every nationality. It is the fervor of our politics, even before the year of the still distant presidential election has dawned.

A partial explanation, of course, is advance knowledge of the date of this event. The Constitution, to be sure, specifies only that the day on which the presidential electors vote "shall be the same throughout the United States." But law and custom have long established the day for choosing these electors as the first Tuesday after the first Monday in November.

Great Britain, very likely Italy and possibly Canada will also hold general elections in 1964, with Western Germany and France following in 1965. But in these countries, as in all others with parliamentary systems, it is the prerogative of the Prime Minister or chief of government to set the exact date. Therefore active campaigning is confined to the period of notice which he gives, seldom more than a month.

Moreover, in this type of democratic government, the leader of the party in power and that of the opposition to him are foreordained as major candidates. So there is no parallel to the dragged-out procedure whereby we select our candidates and then proceed to a popular verdict between them.

A third contrast in election methods is offered by the Latin American republics. For the most part these originally adopted the American system and nominally elect their chief executives on a fixed schedule. Unfortunately, in this part of the world, it is the exception, rather than the rule, when a President takes office because of the votes cast for him. At the moment, in a number of these countries, the political control is that of an outright dictatorship, ruling because it has military support and for no other reason.

Business leadership, at a time when politics is everywhere a conversation piece, could profitably go deeper than personalities and consider the reasons for the stability rather than the excitement of our elections. It is indeed extraordinary, if you reflect on the matter at all, that so long in advance of the presidential choice we can not only express forth-right opinions on the subject, but also exert individual

influence as to the outcome. It is a real duty to exercise this privilege, for it is rare in the world today and even more uncommon in the history of mankind.

Indeed, the problem of succession in governmental power has plagued humanity from the beginning. Even when tyranny was universal it was there. The principle of heredity failed because there was and could be no assurance that ability could be transmitted along with the scepter. The principle of royal selection failed because it had no legitimacy and therefore stimulated antagonism to the favorite.

So, for an era as yet by no means wholly ended, the practice has been to solve the problem of succession



Orderly presidential succession, a rarity in most of the world, is one of this nation's greatest heritages

by civil war. In such cases, whether in baronial Europe or contemporary Latin America, the outcome would almost have to be a dictatorship enforced by the victor. Those who pay communism the compliment of being terrified by it may take comfort from the similar weakness apparent in Soviet Russia now. Nobody knows, or can even speculate with assurance, who will succeed the aging Khrushchev. We only know that the changeover is likely to bring upheaval.

It is curious that this fundamental problem of politics should often be recognized more clearly by military men than by those who like to consider

# TRENDS: STATE OF THE NATION

themselves political experts. A recent book on Roman Britain, by an American army officer who has made this subject his long-time hobby, is a case in point. Col. George P. Welch describes in detail how the well disciplined legions brought civilization to Britain and for nearly four centuries governed this distant province extremely well. But with decay at the center of empire all of this patient and profitable administration fell to pieces and barbarism took over again. In the author's well-reasoned opinion:

"Perhaps the most vitiating factor was the political failure to establish a constitutional process for an orderly succession to the throne, resulting in the dismally repetitive and always sanguinary struggles for power."

. . .

The American Republic was founded at a most fortunate juncture of history. By the end of the Eighteenth Century the theory of representative government, which is what we mean when we vaguely call it "democracy," was well established. While the opposing principle of autocracy had not been abandoned in Western Europe in was under strong attack in all the areas from which Americans derived. The colonists had a most effective ally in that brilliant minority of the British Parliament who throughout supported them against George III.

But when it came to the matter of electing our own chief executive the Founding Fathers were for a long time uncertain. No single issue was more debated, with greater differences of opinion, during the Constitutional Convention in 1787.

There were many who wanted the President elected by Congress, which would have made his office similar to that of the British Prime Minister today. There were those who wanted to place this elective power in the State Legislatures, some of which were then very unrepresentative bodies. Only a few suggested that the President might be chosen by direct popular vote, even with a strongly limited franchise. This would have been contrary to the federal principle—of largely self-governing States—on which the nation was built.

The eventual compromise, though complicated, has certainly worked well. Even now the President is not elected by the people as a mass. On November 3 they will vote only for State electors, though for the most part these will be pledged in advance to the support of their party's candidates. And, as prescribed by the Constitution, the number of these electors for each State is equal to its total congressional delegation—two senators and a number of representatives varying with population.

Therefore the federal principle is maintained, by giving each State two electoral votes because it is a State. Yet the equalitarian principle is also emphasized, since the number of electors corresponding to the number of congressmen is far greater than the number which matches the senators. In 1964, under the Amendment adopted in 1961, the District of

Columbia will for the first time cast an electoral vote, making the total of these in the coming contest 538, of which a candidate must secure a majority (270 or more) to be elected.

It is to be recalled, however, that the Electoral College does not cast its all-important vote until a month after the popular election and that this does not at all accurately reflect the popular division. Thus, in 1960, the popular vote for Kennedy and Nixon favored the former by approximately one tenth of one per cent. But of the conclusive electoral vote Kennedy got 303 to 219 for Nixon and 15 for Senator Byrd, who was not a candidate and therefore received only a handful of write-ins.

. .

For all its complexity this electoral system has been a phenomenal success. It has resulted, with minor and almost forgotten exceptions, in continuously orderly and acceptable transfers of authority.

But, like any other machinery, that of our electoral system will not continue to operate smoothly without occasional repair. And there are signs, as political friction increases, that readjustment is already overdue. Especially questionable is the "winner-takes-all" procedure whereby a State's entire electoral vote goes to a candidate who may have secured a mere plurality of the popular vote.

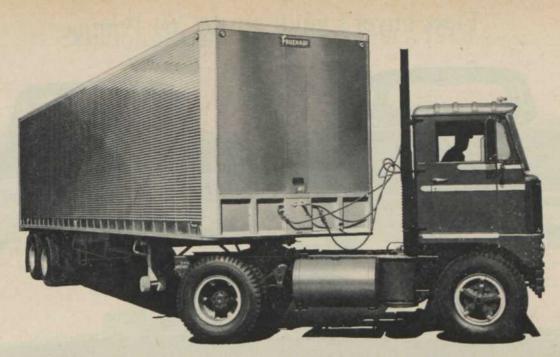
The southern movement to keep electors unpledged is in part a reaction against "winner-takes-all." This relatively new political gimmick gave Senator Byrd, not by his desire, 15 electoral votes in 1960. It could easily cost President Kennedy more than twice that number in 1964 and that without the Republican nominee getting any of them.

This is a case where the remedy could prove more disastrous than the disease. For, unless a candidate receives a majority of the total electoral vote, there is no election. Then the choice, perhaps after weeks without any President, must be made by the House of Representatives, with each State delegation casting only one vote. When this happened in 1824 it caused great confusion, but nothing comparable with what would be the case today.

No conscientious citizen can ignore the present danger signs. Therefore, what seems the most rational solution of the problem is gaining ground. This is to revert to the procedure clearly intended, though never made constitutionally obligatory, by the Founding Fathers.

The reform would merely mean that, instead of the present statewide system of electors, each congressional district would have one of its own, who would eventually vote for the President as the voters of his or her district directed. The two State electors corresponding to the senators, and those balancing congressmen-at-large, would similarly follow the statewide lead as given at the general election.

Neither this, nor any other proposed electoral reform, can be called perfect. But the "district plan" is clearly the one that accords best both with tradition and with the federal system. Now, when everyone is becoming politically conscious, is the logical time for business leadership to give it serious consideration.



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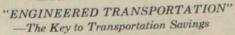
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# Fleet buyer's guide to the '64 Pontiac



ANOTHER VIEW

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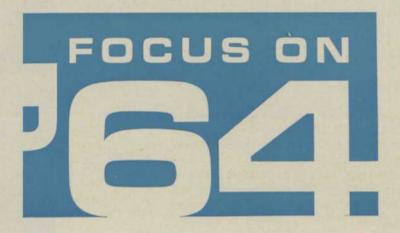
stops few and far between. Unless you want to get a little dirty, it's hard to see this year's new body mounting system. But it's there, and it's an improvement—new butyl rubber pads, making for soft, silent riding.

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1964 WIDE-TRACK PONTIAC



# Business expects big gains

Top managers forecast major trends in replies to Nation's Business survey

BUSINESSMEN ARE HEADING into 1964 full of optimism about the outlook for America's economy.

A survey by NATION'S BUSINESS confirms this mood.

Replies to the nationwide poll show that most executives expect general business conditions and the performance of their own companies in 1964 to improve over 1963.

Looking farther into the future, the business leaders see even more reason for confidence. The middle sixties, many predict, will bring surging levels of production and consumption—a belated fulfillment of the promise of good times with which the decade began.

These conclusions represent a rounding off of survey opinions that are boldly bullish, moderately hopeful, at times cautious, and, in exceptional instances, gloomy.

Some top managers answering the NATION'S

Business questionnaire forecast an upward movement in the 12 months ahead—but only if tax reductions are voted by Congress late this year or early next. One such official, Thomas B. Kimball, executive vice president of the Sinclair Oil Corporation, thinks the economy will suffer a marked slump by the end of 1964 if tax relief is long delayed or not voted at all.

Most concur that tax cuts, if not indispensable for continued business improvement, would nonetheless help to keep growth forces strong.

Over half of the more than 200 businessmen surveyed are presidents of their firms. Companies represented are engaged in all major lines of commercial and industrial activity—from retailing to heavy manufacturing.

Here are other highlights from the semiannual survey:

▶ Thirty-one per cent of the executives participating



### **BUSINESS EXPECTS BIG GAINS**

continued

predict they will hire more employes in 1964. Sixty per cent say their employment will remain about the same. Nine per cent expect their employment to decline.

- ▶ Thirty-eight per cent say they plan greater capital spending in 1964 than in 1963. Forty-seven per cent say they'll spend about the same, and 15 per cent say they'll spend less.
- ▶ Thirty-three per cent plan to raise their prices in the coming year. Sixty per cent say their prices will not be hiked, and seven per cent predict they may actually lower prices of their products or services.

### Tax cut called vital

One of the questions asked:

"If you were pessimistic a year ago, or six months ago, but now feel differently, what has made you change your view?

Twenty-three per cent of the businessmen replying say the prospect of a tax cut explains their shift. Other reasons given for a change in expectations include "recent trends in my business" (19 per cent), and "opinions of forecasters" (16 per cent). Some chose more than one of the three reasons noted above and 40 per cent point out that they were not pessimistic in the earlier periods covered in the question and thus have not changed their expectations to any significant degree.

Lowell P. Weicker, president and chief executive officer of Bigelow-Sanford, Inc., a manufacturer of carpets and small pleasure boats, comments: "If tax cuts are delayed business will be less good in 1964. However, regardless of tax cuts, business should compare very favorably with 1963 and be even better for the year as a whole."

Other businessmen, among them R. F. Erickson, president of Rayonier, Inc., foresee a measurable shortfall in economic growth if the tax-cutting stimulus is too long deferred or in fact abandoned. Mr. Erickson believes lack of tax relief could "retard the expansion of gross national product \$7 billion to \$8 billion" in the year ahead.

John S. Smith, president of Aero Mayflower Transit Company, Inc., holds that the absence of a tax cut would chop the economy's advance "in half."

Other negative effects which could result from inaction on the tax front, businessmen say, are an almost certain drop in stock prices and a psychologically adverse effect on both business and consumers.

Sixty-four per cent of the business leaders expect general economic (continued on page 46)

# Question

How will '64 business compare with '63?

Where are your sales headed in year ahead?

What about your profit outlook?

How much will you spend for growth?

How do you feel about next 2 or 3 years?

## What leading executives predict

Here's how businessmen-more than half of them company presidents-replied to questions asked by the editors of Nation's Business:

#### Comment

64%

think coming year will be better

35%

say conditions will be about same 1%

look for business slump next year

Managers who forecast improvement see strong growth forces at work in economy. Some tie their optimism to tax cut; others say growth will come anyway.

86%

predict sales will top '63 13%

say sales will remain about same

1%

foresee decline in their sales Finding, training topflight salesmen is major challenge, judging from survey replies. Some answers hint at new market breakthroughs.

49%

expect '64 rise over '63 43%

anticipate about same profit return

8%

say their profits may decline Squeeze on profits is big worry of business leaders. To protect profit position, many firms will energetically push cost-cutting efforts.

38%

plan greater outlays than in '63 47%

expect spending at about same level

15%

say they'll spend less Some companies indicate they're waiting for tax incentives to put expansion programs into high gear.

82%

call themselves optimistic

6%

say they hold pessimistic view

12%

have no definite opinion Strong optimism over prospects in the mid-Sixties is bolstered by expected surge in teenage market and formation of new households.



# PROFITS WILL RECOVER MORE LOST GROUND

Shrinkage of margins in face of rising sales volume may be coming to an end

PROFIT MARGINS will probably continue to improve in the months ahead.

Although dollar profits have set records in the past few years, earnings as a percentage of sales volume have persistently drifted downward. The margin has not been large enough to provide the investment incentives necessary to create needed jobs.

Vigorous efforts of businessmen to reverse the downward trend, however, are beginning to pay off.

If this new estimate of the future proves right—as many analysts believe—it will mean that business is entering a new phase of economic development, the fourth since World War II.

In the first period profit margins rose; they declined in the second; and remained low during the third.

Now comes the fourth period—starting currently—when profit improvement appears possible.

The assumption that earnings will rise is based on the prospects for five major factors:

- ► Taxes.
- ▶ Depreciation.
- ► Wages.
- ▶ Prices.
- ► Sales.

These factors are closely interrelated. Their combined impact varies. In some years they offset one another in whole or in part; in other years they tend to reinforce each other. No one can be selected as the primary cause in the final profit outcome. Price changes, for example, reflect the impact of wage inflation, tax changes, and volume as well as the general economic environment.

To see why the profit picture is changing, it is useful to examine how all these forces influence profit margins and look to the future for clues to new developments.

#### The impact of taxes

Earnings as a percentage of sales—that is, the profit margin—rose substantially between 1945 and 1950 for all corporations. This was the first postwar phase. A significant part of the rise reflected the reduction in tax rates from the wartime level.

During the second postwar phase profits declined. Most of the decline developed during the Korean war, but through 1958 there was a further decline.

The corporate income tax rate during the Korean war was hiked from 38 per cent to 52 per cent where it has remained.

In the past five years, despite an increase of more than 26 per cent in total business volume, the profit margin has fluctuated around three per cent—well below the average for preceding years.

Had the same corporate tax rate prevailed in the most recent years as in the early postwar years, the profit margin after taxes would have been 3.5 per cent

## How after-tax earnings of business lag



instead of three, and would have provided a considerable number of additional profit dollars.

It is, therefore, clear that the cost of government accounts for a significant part of the real profit squeeze.

The reduction in corporate income taxes from the wartime 52 per cent rate to 48 will boost margins for the new phase ahead.

The exact amount is uncertain. It can be assumed that the profit margin after taxes will be at least one fourth of one per cent higher. This may seem a small change if you look only at percentages but it is a large change if you look at the number of dollars involved.

And it is equally clear that further reduction in taxes and the cost of government is desirable for the years ahead.

#### Depreciation charges

Secretary of Commerce Luther Hodges emphasizes that depreciation charges "were abnormally low in the immediate postwar period since the plant and equipment being depreciated had mostly been purchased at much lower price levels."

The Department of Commerce estimates that, to replace equipment, an average of \$1.5 billion more was required than was available through depreciation charges during the 1946-50 period.

Thus, the reported profit margins during that

period do not represent a meaningful benchmark against which to measure profits since then.

In the second period, starting with 1950, depreciation charges became more realistic as companies began to write off the property purchased at the higher postwar prices. Depreciation charges stabilized from 1958 to 1961 and then rose again in 1962 largely as a result of the revision by the Internal Revenue Service of its guidelines for depreciation allowances.

Studies by the Commerce Department indicate that a sizable portion of the impact was reflected in 1962 income. Some further—but lesser—impact may be reflected in 1963.

The tax credit for investment in depreciable machinery and equipment involves additional funds.

The liberalization of depreciation charges has already been almost fully reflected in reported profit margins.

Further liberalization is unlikely in the near future. Moreover, as volume expands it is possible that the relative importance of depreciation allowances will be reduced a little because they represent fixed charges which tend to lag behind expanding volume.

#### Wage inflation

Wage inflation affects profit margins. Between 1945 and 1950 total labor costs, including nonwage benefits, rose by more than (continued on page 82)



ABBIE ROWE-NAT L PARK SERVICE

# Labor outlook hinges on government

Here's what unions will seek in Congress, the administrative agencies, courts, and at the bargaining table

AFL-CIO leaders, who want President Kennedy to be re-elected, lunch at White House. President is flanked by George Meany, federation chief (on his right), and John Murphy of the Bricklayers union. Harry Boyer, Pennsylvania state president of the AFL-CIO, is standing behind President Kennedy

GOVERNMENT INVOLVEMENT in labor problems and activities will reach a new high in the coming

year.

More than ever before government will influence your labor problems and dominate union interest. Almost every major labor development will involve the government in one way or another.

Legislation will be pushed to help achieve union economic and wel-

fare goals.

Important decisions will come from the White House, administrative departments, and the courts which will likely affect the course of labor-management relations and other labor developments.

Federal mediators will make earlier and stronger efforts to minimize collective bargaining disputes.

More steam will be put into the drive to influence public education through the spread of collective bargaining among teachers.

Getting more favorable administration of government by helping reelect President Kennedy and electing more union friends to Congress, the state houses, courts, and other public offices will be one of the labor unions' prime 1964 objectives.

#### Legislative goals

Compulsory health care for the aged under social security will get the unions' biggest push in the next session of Congress. Labor lobbyists view this legislation as a natural vote-getter and expect Congress to pass it in an election year.

"We're going to work real hard on it," the AFL-CIO's chief lobbyist, Andrew J. Biemiller, told NA-TION'S BUSINESS. "We think it is going to pass. There's no question we have the votes in the Senate, and we think we have them in the

House, too."

The former Democratic member of Congress from the Milwaukee area stressed, however, that if opponents win their fight to separate the program from social security, "We'll try to kill the bill."

Other legislation which unions are hopeful of getting through Congress next year is expansion of the wage-hour law to cover hotels, mo-

tels, restaurants, laundries, and dry cleaning establishments. These industries were not included when the law was expanded in 1961 to include large retail establishments and the minimum wage was raised to \$1.25 an hour.

However, Federal Wage-Hour Administrator Clarence T. Lundquist was directed by Congress to make studies of the impact of both the recent and possible future expansion of coverage, and the increase in minimum. These will be ready in January.

Union agitation for a 35-hour workweek with no cut in pay will continue, but with no hope of legislation because of President Kennedy's opposition to it at this time.

Secretary of Labor W. Willard Wirtz says the Administration will be pushing three bills which unions support. They are compulsory health care, expanded minimum wage coverage, and extension of unemployment benefits for 26 weeks beyond the number of weeks now provided by individual states.

Amendment of the national emergency or other provisions of the Taft-Hartley law is not contem-

plated.

One labor law passed last summer will take effect June 11. It is the Equal Pay Act, which prohibits wage discrimination based on sex.

Administrator Lundquist is preparing interpretations of the new law which should be available in

"Employers and unions will be able to use the interpretations as a guide in complying with the law," he says.

#### Collective bargaining

Major collective bargaining will take place in the automobile, trucking, maritime, and railroad industries.

The trucking industry goes to bat first against James R. Hoffa and his Teamsters. For the first time, the Teamsters will bargain on a national instead of regional level through a new management group, Trucking Employers, Inc., which will bargain for truckers in all of the country except New England, Virginia and the city of New York.

Employers hope to come out of the negotiations with a national master contract which will leave certain items for local negotiations and may include a national minimum wage. Agreements covering more than 75 per cent of the industry expire Jan. 31. Thus a strike affecting a large segment of industry could begin Feb. 1.

Walter Reuther's United Automobile Workers are expected to stress profit-sharing and job security in negotiations with the automobile manufacturers in August. Union sources expect an easier and more liberal settlement if the demand for new cars continues strong through the summer. The unemployment situation and Mr. Reuther's desire not to hurt President Kennedy's chances of re-election in November should minimize chances of a strike.

In a statement to NATION'S BUSINESS, Mr. Reuther said there is no prospect that unemployment will be substantially lower than the five per cent or higher that it has been for six years when the union enters major negotiations next year.

"Management is obligated," he said, "to cooperate with labor to write contracts that will make the maximum possible contribution to increasing purchasing power and demand, strengthening job security and creating the maximum number of new job opportunities."

Negotiations in the railroad and maritime industries will be affected

by government reports.

On the railroads, the arbitration award of the seven-man Presidential Arbitration Board, set up by Congress on two major featherbedding issues, will take effect in January and will have a bearing on the settlement of secondary issues, which will be subject to negotiation until Feb. 26. That could become the deadline for another railroad strike threat by the five operating unions involved.

Meanwhile, 11 nonoperating unions are pressing new wage de-

In maritime, findings of a government study headed by David H. (continued on page 51)



# Political parties plan new strategies

Here are moves you can expect between now and election



Democratic Chairman John M. Bailey is planning to sell the public on the Kennedy program to win again

Republican Chairman William E. Miller hopes work being done in the cities will overcome 1960 weakness



BOTH DEMOCRATS AND REPUB-LICANS are banking on new votegetting programs to win more elections next year.

Operation Backlash, a new weapon devised by the Democrats, is intended to arouse voters against Republican congressmen who vote against federal spending projects being pushed by the Kennedy Administration.

In addition, the Democrats are relying heavily on general public acceptance of the over-all Kennedy program, Chairman John M. Bailey of the Democratic National Committee told NATION'S BUSINESS.

Republicans are relying heavily on a special big-city drive to rebuild G. O. P. strength in the large metropolitan centers, where it's agreed they lost the last presidential election, and in the South.

"The results are beginning to show," says Chairman William E. Miller of the Republican National Committee.

Republicans have also brought in a marketing expert to introduce effective sales techniques in their fund-raising and improve the party's financial operations.

Democrats are trying to sell the Kennedy Administration's spending program in terms of what each project means to the states, the communities, and the people who would be affected. Stress is placed on how many jobs a project supposedly would create, if passed, or would be lost if authorization is denied.

"We give the people specific examples right close to them of what the Administration is doing for them," explains Samuel C. Brightman, the Democrats' deputy director for public affairs.

"We also advise communities about projects which they requested but which were not authorized, and which Republican members of Congress voted against them."

Operation Backlash was conceived by Research Director William A. Keel and put into effect last June after the House defeated by a 209-204 vote the Administration's proposal to expand by \$455 million the spending authority of the Area Redevelopment Administration.

A few hours after the ARA vote a telegram went out to local Democratic leaders containing a canned press release, with blanks for filling in pertinent local information, and instructions that it be sent to local newspapers and radio and television stations as a statement from a local Democratic leader.

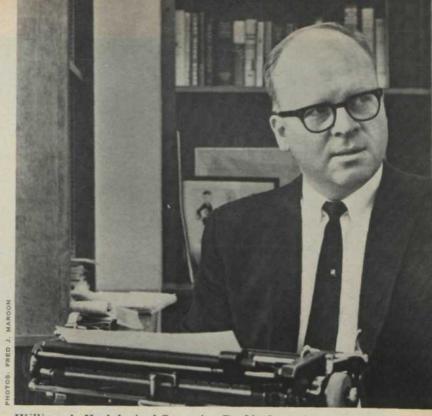
"This is the first recommended news release for new operation to detail effect of negative Republican votes in congressman's state and district," the message said over Mr. Bailey's signature. "Would appreciate clippings of articles that appear."

The statement accused the local congressman of turning his back on the unemployment in his district by voting against the increased spending. It gave estimates of how many jobs approval of the legislation supposedly would have created.

The next day Chairman Bailey mailed another press release to local leaders. It contained a statement which they could use over his or their names, a list by states of all House Republicans who voted against the ARA expansion, and another list of how many of the anticipated 247,500 jobs each state would have got under the expanded program. The jobs ranged from 26 in Nevada to 47,641 in Pennsylvania.

One Republican who defended his vote was Rep. Herman T. Schneebeli of Pennsylvania. He said he voted for reduced taxes and to curtail excessive government spend-

(continued on page 49)



William A. Keel devised Operation Backlash to stir up votes against Republicans who oppose Kennedy programs. Sometimes it backfires

Raymond V. Humphreys is conducting training courses for Republican workers to help cut Democratic margins in big cities and the South



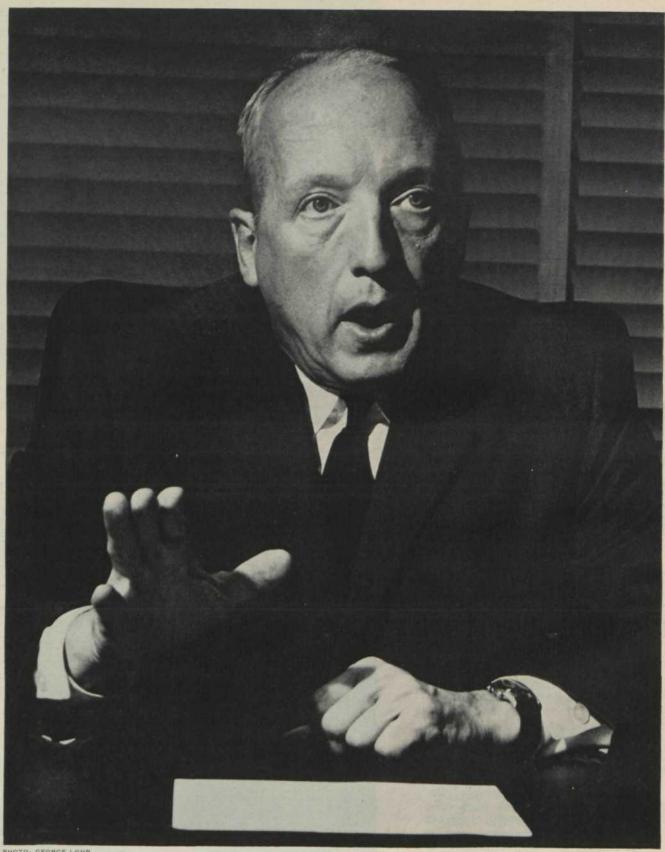


PHOTO: GEORGE LOHR

# **EX-CABINET MEMBER OPPOSES HEALTH CARE PLAN**

Former Postmaster General J. Edward Day warns that nation simply cannot afford the Administration health proposal in view of the federal budget crisis

THE YEAR AHEAD will see a vigorous new drive to win congressional approval of a federal health care plan tied to social security taxes.

A strong opponent of such a plan is J. Edward Day, former postmaster general, who resigned from the Kennedy Cabinet on August 9.

While Mr. Day, of course, does not oppose the whole New Frontier program, in this exclusive Na-TION'S BUSINESS interview he reveals his alarm that this pet spending project may become law.

Mr. Day has extensive experience in the insurance field. He served as legal and legislative assistant to former Gov. Adlai Stevenson, and from 1950 to 1953 was Illinois insurance commissioner.

He also served with the Prudential Insurance Company of America, rising to vice president in charge of operations in 13 western states.

Now practicing law in Washington, he has no insurance connection. But his interest in welfare programs continues.

#### Mr. Day, what do you think of the Administration's health care plan for the aged under social security?

It is a program that has tremendous political appeal, but it is extremely difficult for the rank and file of the public-or even for fairly

informed members of Congress-to appreciate the implications of getting into an expensive medical care plan of this type.

#### How expensive would it be?

To begin with, we should bear in mind that social security benefits now being paid total over \$13 billion a year and it is estimated that by 1980 just the present program will cost as much as \$25 billion a

For the health care plan, they talk in terms of more than \$1 billion the first year and then going up to \$2 billion, without taking into account the inevitable future liberalization of benefits.

In my opinion it is inevitable that once this program is enacted there will be the same pattern of liberalization every couple of years that there has been with the original social security law. These liberalizations are bound to add enormously to the expense and I feel would make the total load of financing the social security program completely out of hand.

The program as outlined in the Administration bill contains a great many cost reduction features such as a deductible, which the beneficiary would have to pay before getting federal payments; time limits on the period in the hospital; limitation of the benefits to people 65 or older; no benefits for surgery or doctors' bills, no benefits for drugs.

The reason I am a dedicated Democrat is because I think that the federal government should use its resources and its powers to promote the greatest good for the greatest number-but only to the extent it can afford it.

And we have reached the point where we can no longer judge new programs purely on the basis of whether they are desirable. We have to judge them on the basis of whether they are feasible within the budget squeeze and the deficit spending pattern we are up against.

It doesn't make sense to me to have a large federal deficit in peacetime and in time of prosperity, and I think that this type of new departure in social security commitments may bring on deficits in the future such as we have never even thought of in peacetime before.

#### Did you have these same views before you became a member of President Kennedy's Cabinet?

I definitely did. As a result of having been insurance commissioner of Illinois and having a top responsibility in the insurance industry. I became concerned some years ago about the eternal extensions of

(continued on page 92)

# A LOOK AHEAD by the staff of the

#### **Export incentives sought**

(Foreign trade)

#### **Budget delay rumored**

(Government spending)

#### Transit meeting set

(Transportation)



#### AGRICULTURE

The kind of administrative and legislative programs proposed for agriculture in 1964 will be influenced in part by the status of the farm economy. Recent trends indicate that producers are in greater need of programs and practices which will contribute to lower perunit production costs than they are of further efforts to stabilize prices and production levels.

Total crop production and average yields per acre will probably reach another record. Gross farm income from all sources for 1963 may equal last year's record of \$50.3 billion. However, net income may be slightly lower due to an expected increase in production expenses.

The demand for pesticides, fertilizers, and labor-saving, cost-reducing materials and equipment will continue to increase. Producers are constantly looking for new information and management techniques to increase their production efficiency for greater profits.

#### CONSTRUCTION

Investigations of urban renewal operations under the federal grant program, initiated by the House of Representatives, may have heavy impact on the construction industry.

Information introduced in one case is reported to suggest sub-

stantial misuse of discretionary authority. In this case, the evidence seems to indicate that, in showing the substandard conditions of the area (for establishing eligibility for federal financial assistance), previously demolished structures were counted.

Congressman John Dowdy of Texas, chairman of a House District of Columbia subcommittee, feels that evidence of irregularities unearthed in the investigation of this District of Columbia project could be symptomatic of nationwide abuses.

If the federal urban renewal program is discredited, some positive and workable alternative approach—such as the National Chamber's community development action approach—is certain to be required in order to provide for the revitalization of the nation's cities.

#### CREDIT & FINANCE

The federal government is trying to work its way out of the credit business, according to a top administration official.

Kermit Gordon, director of the Bureau of the Budget, says: "We shall continue our efforts to identify existing federal programs which could, more appropriately and effectively, be carried out by the private sector or in which nonfederal interests could bear a larger share of the costs."

Mr. Gordon also says that, in

the case of federal credit programs, the Bureau has instituted a policy of "substituting private for public credit wherever feasible."

During the past fiscal year, over \$1 billion of financial assets were transferred to private holders and there are plans to continue this trend in 1964.

#### FOREIGN TRADE

Both the Administration and Congress are seeking an effective form of tax incentive which would stimulate exports of U. S. manufacturers.

It's claimed that U. S. businessmen are at a disadvantage because foreign industrialized countries rely heavily on indirect taxes which in certain countries are rebated to the exporter. In contrast, the United States relies primarily on direct taxes, no portion of which is at present rebated to exporters.

Under the rules of the General Agreement on Tariffs and Trade, rebates of indirect taxes on exports are permissible while rebates on direct income tax are not.

The question is whether the U. S. should set up an export tax incentive of its own, or whether it would perhaps be better to press other countries to eliminate theirs.

#### GOVERNMENT SPENDING

The tie-up of appropriation bills in Congress has clouded the fiscal

## Chamber of Commerce of the United States

picture for both this fiscal year and the next. Even if Congress is able to wind up its business this month, the President and the Bureau of the Budget will be hard pressed to get the budget completed and submitted to Congress by the statutory deadline of 15 days after the next congressional session convenes.

There is increasing talk that the Administration may request congressional permission to delay the budget submission until late Janu-

ary or early February.

The over-all guidelines for the next budget have been fairly well established. Spending is expected to be around \$100 billion; revenues about \$91 billion or slightly more. However, much of the 1965 estimate must be based on the still undetermined 1964 budget figures.

#### LABOR

Teamster President James R. Hoffa's drive for a nationwide contract for the trucking industry next year is attracting serious attention.

Mr. Hoffa promises there will be no national strike under the plan. He proposes rather to single out carriers to be struck. Others warn there will be no stopping a nationwide strike once national bargain-

ing is adopted.

In affected industries there is sentiment for compulsory arbitration. Others are pointing out that compulsory arbitration does not solve the basic problem, but deals only with one of its symptoms. Such students of the subject are urging antitrust legislation to break up powerful labor union combinations.

#### MARKETING

The average American consumer might seriously question the type of representation he or she is getting from President Kennedy's Consumer Advisory Council.

For example, in its current an-

nual report, the Council:

1. Supports legislation requiring calculation of finance charges in terms of a simple annual rate-legislation which would force abandonment of revolving credit plans that have grown increasingly popu-

lar with consumers in recent years.

2. Supports the packaging controls bill, which would empower federal agencies to curtail consumers' freedom of choice by forcing producers to package consumer goods only in limited sizes.

#### NATURAL RESOURCES

Congressional authorization now seems assured for a bill to establish a Land Water Conservation fund. This fund will finance a new program of federal grants-in-aid to the states for outdoor recreation planning, the acquisition of recreation lands, and development of recreational facilities. It will also provide financing for acquisition and development of federal recreation lands.

Total amount authorized by the bill has been estimated at \$1.5 billion to \$2 billion over the next 10 years.

Revenue for the fund would come from three sources: the sale of federal surplus real property and related personal property, the existing four-cent-per-gallon federal tax on motorboat fuel, and recreation user fees and charges in federal areas authorized by the

In order to put the grants-in-aid program into effect immediately, the bill authorizes an advance appropriation to the fund. Any appropriations against the advance would be repaid from the revenues beginning in the tenth year of the program.

#### TAXATION

The Senate Finance Committee is expected to wind up tax-cut hearings some time this month, barring unforeseen developments.

Thus far, most witnesses have expressed general support of the tax bill. Most common qualifications are the lopsided effect of the rate reductions, and the need for expenditure reduction.

Undoubtedly, minor amendments will be attached to the bill either in committee or on the Senate floor. However, efforts to amend the bill drastically in the Senate will face a rough road.

Final action on the bill may be held over until next year. The extensive roster of Finance Committee witnesses, Senate floor debate, and the necessity for a conference with the House to iron out differences make final action unlikely in 1963. This does not rule out final passage this year, but time is working against the bill.

#### TRANSPORTATION

Although interest in urban transportation matters around the country is at an all-time high, there is still considerable uncertainty stemming from questions arising out of: 1, how to develop a unified passenger transportation system in urban areas with multiple political jurisdictions; 2, the various schools of thought as to what constitutes the best means of providing modern-day urban passenger transportation service; 3, the planning criteria brought on by the federal requirement that all urban areas of 50,000 population or more must have a continuing comprehensive urban transportation plan by July 1, 1965; and, 4, how best to finance large-scale urban transportation improvement and development programs.

At present a full-fledged dialogue centering around these four major areas is being carried on by authorities in the field.

In an effort to help give purpose to the current interest in urban transportation matters in general and the equally important need for clarifying some of the uncertainties now existing, the Chamber of Commerce of the United States will sponsor a National Conference on Urban Passenger Transportation in Washington, D. C., January 29-31.

The objectives of this conference will be to: focus attention on those issues and trends which are essential elements in urban passenger transportation improvement; assist those having an interest and responsibility in urban passenger transportation to keep abreast of modern-day requirements; and, help them clarify some actions which can be taken.

#### **BIG GAINS**

continued from page 34

conditions in 1964 to improve over 1963. Thirty-five per cent predict conditions will remain about the same as this year, and one per cent foresee a decline.

#### Optimism prevails

As far as their own businesses are concerned, most executives are optimistic.

Eighty-six per cent say sales of their companies will do better in '64 than in '63; 13 per cent say they'll remain about the same, and one per cent anticipate a decline.

The influence of Washington hangs heavy over the attitudes of businessmen, including some who forecast brisk improvement next year and in the period between now and 1966. Fear of an inflationary trend fanned by excessive federal spending is mentioned by a number of respondents, along with complaints about federal competition and regulation.

But evidence supporting a bright outlook is plentiful, most business

leaders agree.

Rayonier's Mr. Erickson bases his long-term optimism on "favorable marketing research projections in our industry" (pulp, lumber and chemicals).

F. A. Manske, president of National Gypsum Company, links his mildly optimistic view of the next several years to an expected spurt in new household formations in the period 1964-65.

Eldred H. Scott, vice president and controller of The Detroit Edison Company, says his optimism is based on the "tremendous expansion in the 15 to 29 population age group and the possibility of a better tax structure."

Eugene C. Zorn, vice president and economist of the Republic National Bank of Dallas, has this

to sav

"Our attitude is optimistic. Many observers are too firmly wedded to thinking associated with earlier postwar inflation and recession patterns and fail to realize that the promise of the 1960's is being fulfilled after the shaky start in 1960. A margin of unused labor and physical resources and keen competition on both domestic and international fronts should prevent the growth forces in the next couple of years from generating significant inflationary pressures and speculation which otherwise would culminate in an unsustainable boom.'

The executives were asked to in-

dicate if they are optimistic or pessimistic about the business outlook for the next two to three years.

Eighty-two per cent say they are optimistic.

Only six per cent describe themselves as pessimistic.

Twelve per cent say they are unable to form a definite opinion on the question at this time.

Most of the optimists point to the market-building force of population growth, rising living standards and new demand abroad, and the payout from investment in research and development of new products as key reasons for their bullishness about business prospects in the next few years.

#### What companies plan

A sound-to-rising job outlook, stable-to-improving profits and fairly vigorous capital spending programs are indicated.

Assessing their hiring prospects, 31 per cent of the company officials say they expect to employ more workers in 1964 than they have this year; 60 per cent predict their number of employes will remain about the same, and nine per cent project a decrease.

Forty-nine per cent look for their profit per dollar of sales to improve over '63.

Forty-three per cent say that profits will remain about the same, and eight per cent anticipate declining profits.

Thirty-eight per cent plan an increase in capital expenditures in 1964 (over 1963); 47 per cent say their companies plan to spend about the same amount as this year, and 15 per cent say they will spend less.

A number of company spokesmen emphasized the importance of tax reductions as a spur to expansion plans of business.

A question on pricing intentions drew these responses:

Thirty-three per cent may raise their prices in the next 12 months.

Sixty per cent do not not plan to boost prices.

Seven per cent indicate they may reduce prices of their goods or services.

In companies with multiple product lines, there were instances in which both price increases and reductions were predicted.

Among executives projecting increases were officers in firms in meat-packing, petroleum, heavy machinery manufacturing, and food processing. Lowered prices were termed a possibility by leading managers in chemicals, railroading,

## Watch for:

#### Coming—changes in your job

Individual jobs, company organization patterns, and the very art of management will change in important ways in the coming decade. How? Leading experts offer informed forecasts in a special report.

#### How to forecast manpower needs

Research into the personnel planning practices of 40 companies reveals some profitable things you can do now to insure that you will have the right people in the right place when you need them.

... and many other timely, important and useful articles in coming issues of

## Nation's Business



### **HOW MUCH DOES THIS WARRANTY COST?**

This warranty applies to all new Dodge trucks, regardless of size. How much extra do you pay? Not one cent above the regular retail price! What's more, Dodge trucks are priced lower than most of the competition, right in line with the rest.

Want proof? Let's get it by comparing the price of a Dodge D500 chassis-cab unit with a 133" wheelbase with the prices of its principal competitors for models similar in size and equipment.

Base price of the Dodge D500 is \$2628. This is from \$35 to \$247 less than similar models from leading competitors.\*

This kind of pricing applies right across the board, from the Dodge D100 half-ton pickup to the giant Dodge NCT1000, a diesel-powered tandem with a GCW of 76,800 pounds. Dodge trucks are competitively priced all the way.

Talk to your dependable Dodge truck dealer. About the Dodge truck 5-year or 50,000-mile warranty and his Dodge truck prices. He also has a liberal new finance plan you will want to know about.

\*All prices are Suggested Retail Prices as of April 1, 1963 and do not include provisions for state and local taxes and destination charges. All prices and specifications subject to change without notice.

ALSO ASK ABOUT THIS ADDITIONAL WARRANTY COVERAGE ON DODGE HIGH-TONNAGE GASOLINE ENGINES! The warranty on gasoline engines of 800, 900, and 1000 model Dodge Trucks is for 5 years, 100,000 miles or 3000 hours of operation, whichever comes first, and provides for repairing or replacing parts defective in materials and workmanship at no charge for parts and, after 50,000 miles or 1500 hours of operation, 50% up to 50,000 miles or 1500 hours of operation, 50% up to 50,000 miles or 1500 hours of operation, at a provided labor charge based on 25% up to 50,000 miles or 1500 hours of operation, in each instance whichever comes first. This special warranty covers the engine maintenance services required are performed and certified as specified above.

## **Dodge Builds Tough Trucks**



#### Opportunity

# Lower your tax by detouring pay raises to future income

With taxes diluting the value of salary increases, more and more businessmen are searching for ways to turn added income into effective income. Life insurance offers just such an opportunity by sending income ahead to take advantage of a lower tax bracket after an employee's retirement.

There's one man who can give you all the information you need about this plan for deferring compensation. He's appropriately called New England Life's "man of opportunity"—one of a select group of our agents who qualify for the title through exceptional knowledge, experience and initiative.

This is the man to advise you on setting up a plan that will give both employer and employee valuable tax advantages. He knows his way around in business and tax legislation, and is ready to work closely with your lawyer and trust officer. He's a well-informed financial advisor—a successful man who is used to doing business with other successful men.

Many of the uses of insurance that the man of opportunity can relate to your circumstances are covered in our PORTFOLIO OF OPPORTUNITY. It's a collection of timely reports, including "Tomorrow's Security from Today's Postponed Pay". The PORTFOLIO is free and we'll mail it to you directly. Address: Dept. BA, 501 Boylston Street, Boston, Massachusetts 02117.



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#### **BIG GAINS**

continued

public utilities, and a few other fields.

Where the question had applicability, 65 per cent of the executives polled by Nation's Business say they expect their inventories to remain at present levels through the coming year. Twenty-two per cent expect to expand their inventories, and 13 per cent look for a decrease in inventory volume.

#### What worries top managers

The whiplashing cost-price squeeze and its impact on profits emerges as the biggest worry the executives expect their companies to face in the new year. Following closely behind are problems related to intensified domestic and foreign competition and the federal government's role vis-a-vis business.

"The continued squeeze on profit per dollar of sales" is the biggest problem foreseen by Wade N. Harris, president of Midland-Ross Corporation.

H. C. Kohout, vice president and general manager of the Lehigh Valley Railroad Company, says "government regulation and government-subsidized competition" will produce the biggest headaches for his business in 1964.

"Farm program uncertainties" haunt S. M. McAshan, Jr., president of Anderson Clayton & Company, a cotton and cottonseed products company of Houston.

Many respondents to the poll underscored the drain of rising wage costs on their profit margins, and the pressure which such increased costs exert on their price structure. The president of a large liquor distilling company indicates that there will be an unusually vigorous effort in his organization next year to "keep all costs down" as a move to protect profitability.

Other major problems which business leaders foresee include troubles arising out of their relations with labor unions, the pains of corporate expansion, the need to achieve greater productivity, difficulties of finding and training effective manpower—especially in the sales and managerial ranks—and industry overcapacity.

In an answer which possibly reflects the increasing global-mindedness of American companies, a textile firm treasurer predicts that "Latin American currencies" will be his company's biggest problem in

#### Opportunity

### Benefit from the "magic" of the marital tax deduction

Are you sure your family won't end up paying more estate tax than necessary? The Federal estate tax is progressive, so the bigger your estate, the bigger the possible reduction of what goes to your beneficiaries.

If you are married, however, you can cut back the size of your estate so that it won't be taxed in the highest applicable bracket. The proper disposition of your life insurance is an important step in accomplishing this end. And, the savings possible are so startling that the marital deduction seems to be "magic" once the opportunity is explained.

Highly-trained, business-oriented New England Life agents (we call them "men of opportunity") are ready to sit down and, without obligation, work out the details with your own attorney and trust officers. Because your man of opportunity is particularly well-qualified to show you all the latest opportunities in life insurance (over and above your normal insurance "obligations"), his advice could well mean the difference between a working, cost-saving program and an expensive failure.

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#### POLITICAL PARTIES

continued from page 41

ing at the federal level. It seemed impractical to him to appropriate almost half a billion dollars for additional spending when a greater part of the funds already allocated to the program had not been used.

Representative Schneebeli also pointed out that Pennsylvania is losing money under the ARA program, despite the fact that the state is getting \$15,304,000 in total federal commitments.

"At the same time, the cost to Pennsylvania in taxes has been \$26.-952,137," he said. "This has resulted in a net loss to Pennsylvania in taxes paid of \$11,648,137.

On June 26, after the Senate approved the \$455 million expansion of ARA spending, 65-30, the Democratic boss sent another suggested press release, similar to the previous ones, in a telegram to local Democratic leaders in states where a Republican senator voted against the New Frontier's proposal.

The Republican senator, whose name was to be filled in, was accused of voting in favor of unemployment and against the needs of the unemployed in his state.

On Aug. 2, when the Senate-approved ARA expansion bill was pending in the House, Chairman Bailey wired another suggested press release to local Democratic leaders which urged Republican members who had opposed the bill earlier to reconsider. He asked that local Democratic bosses "please fill in the blanks with the appropriate information for your state or district" and issue the statement as their own "as soon as possible."

"Republican congressmen in the state who voted against the Area Redevelopment extension urged yesterday to reconsider their vote against the state's (insert unemployment total from the accompanying list) unemployed," the

press release said.

A similar canned press release attacking Republicans who oppose Administration spending bills was distributed after the House slashed \$585 million from the \$4 billion foreign-aid authorization recommended by the Foreign Affairs Committee.

Sometimes Operation Backlash is used to put pressure on members of Congresss before a vote comes up.

A week before the House passed the \$1.2 billion five-year program to construct college classrooms, laboratories and other facilities, a

canned press release was distributed to "fellow Democrats" across the country for circulation "as soon as possible, since the President's Higher Education Facilities bill is expected to come to the House floor for a vote very shortly."

Local leaders were instructed to publicize how much of the federal money would be spent in their state by filling in blank spaces in the press release "from information contained in the attached state-by-state breakdown."

Democrats claim that Operation Backlash helped them save the seat formerly held by the late Rep. Francis W. Walter in Pennsylvania's Fifteenth District after the Democrats had dropped two California seats in other special elections earlier this year.

Sometimes Operation Backlash backfires, as when it was used to build pressure against a Democrat, Sen. Albert Gore of Tennessee, for his opposition to the President's tax bill as a member of the Senate Finance Committee.

Summoned before the committee to explain his telegrams and phone calls against Senator Gore, Mr. Keel said he acted on his own, out of zeal, and apologized.

#### Big-city drive

Republicans began a major effort to strengthen their organizations and activities in major cities after receiving a report from a special Committee on Big-city Politics, headed by Ray C. Bliss of Columbus, the Ohio Republican chairman.

The committee was appointed after the close defeat in the 1960 presidential campaign "to analyze the means and methods of cutting down losses in metropolitan areas.

The committee pointed out that in many states large Republican majorities rolled up in rural areas were more than wiped out by heavy Democratic voting in big cities.

"It is not necessary for us to carry the big cities," the report stated. "We just need to reduce the Democratic margin in the big cities: then our outstate and suburban strength, under normal conditions, should enable us to carry the state."

A switch of only 12,000 votes in five states would have elected Richard Nixon instead of John F. Kennedy, the committee said.

Pointing to the lack of effective Republican organizations in many cities, the report concluded: "The big cities still offer fertile ground for the Republican Party, if it is willing to provide adequate finances, leadership and personnel to plan

#### Opportunity

## Double the value of your self-employed pension plan

"I'm self-employed-what does the latest tax law mean to me?" "What tax deductions can I get now?" "How can life insurance fit into my pension plan?"

. . . Those are questions you'll want answered if you're a professional man or own an unincorporated business. You'll definitely want to check what life insurance can do: it's the only way, for example, you can get big death benefits for your family and pile up retirement money at the same time.

There's one person particularly well suited to help you-New England Life's "man of opportunity." He is one of a select group of our agents who have earned this designation through knowledge, experience and initiative.

Increasing the value of a pension plan is just one of the opportunities available through the judicious use of life insurance. Exploring this opportunity and others for men like you is the full-time job of the man of opportunity. And, with his broad understanding of business and tax legislation, he's ready to work closely with your lawyer or trust officer.

Many of the uses of insurance that can be related to your circumstances are covered in our PORTFOLIO OF OPPORTU-NITY. It's a collection of timely reports, including "Double the Value of Your Self-Employed Pension Plan." The PORT-FOLIO is free and we'll mail it to you. Address: Department BC. 501 Boylston Street, Boston, Massachusetts 02117.



#### Opportunity

# Trim your taxes while putting human objectives first

The important thing is to put and keep first things first. In any estate planning, human objectives must predominate over all other considerations, including

tax savings.

But this does not mean that such savings and other economies need to be inconsistent with your primary objectives. Frequently, an insurance trust can be set up with provisions flexible enough to accomplish many of your objectives simultaneously. The result can be complete fulfillment of family objectives, plus a sizable trimming of taxes.

There's one man who can tell you about the possibilities which exist in insurance trusts and settlement options. He's New England Life's "man of opportunity"—one of a select group of our agents who qualify for the title through exceptional knowledge, experience and initiative.

With his broad understanding of insurance, its uses and tax treatment, he's ready to work closely with your trust officer and lawyer. You'll find him a remarkably well-informed financial advisor—a successful man who's used to doing business with other successful men.

Many of the uses of insurance that the man of opportunity can relate to your circumstances are covered in our PORTFOLIO OF OPPORTUNITY. It's a collection of timely reports, including "Trusts and Testamentary Tactics." The PORTFOLIO is free and we'll mail it to you directly. Address: Dept. BD, 501 Boylston Street, Boston, Mass. 02117.



#### **POLITICAL PARTIES**

continued

and execute intensive year-round programs."

"Our main job right now is implementing the Big City Report," says Republican Chairman Miller.

Major projects include a political training program called MORE, for Mobilization of Republican Enterprise; increased activity in the South; workshops for state chairmen, and more effective financing.

MORE is a six-hour training course to train Republican workers in practical political activity and assign specific responsibilities to them.

It is run by Raymond V. Humphreys, an experienced sales executive, who was director of education and training for the Republican Congressional Campaign Committee for six years before moving to his present assignment with the Republican National Committee early this year.

The program grew out of a political training school begun in Kansas in 1959. Mr. Humphreys revised it, tried it in Connecticut in 1961.

"We were astounded by the results we got," he says.

According to Mr. Humphreys, the program was an important factor in the election of Republican John G. Tower to succeed Vice President Lyndon B. Johnson as senator from Texas in 1961 and Henry Bellmon to become the first Republican governor of Oklahoma.

It was also instrumental in the 1962 New York gubernatorial race, he contends, in helping Gov. Nelson Rockefeller preserve his 1958 majority over the Democratic candidate "despite loss of conservative support."

"We've just trained 1,300 workers in Alabama," Mr. Humphreys told NATION'S BUSINESS. "Before the next campaign we hope to have trained workers in every major area of the country where there may be a need for strengthening our organization. We're about 25 per cent through now.

"When I was with the Congressional Committee, this work was done only in districts where we had a chance to win a seat. Now we go everywhere."

Under the MORE program, a minimum of one sales manager and 10 salesmen are picked for each voting district. They are trained by Mr. Humphreys and his staff in key centers, then return to their voting district and, with materials provided

#### Opportunity

## Plan a stock redemption now for your closely held stock

Your stock in a closely held corporation could create some serious problems when you die. Should your wife get it and keep it? Should the children? Should the business buy it back? If so, at what price?

There's one sound solution to these questions—an insured buyout arrangement funded with life insurance that will create a guaranteed market for your stock at a predetermined price. If it's planned right, payment for the stock is assured.

The key phrase is "if it's planned right." That's where New England Life's "men of opportunity" come in. These are a select number of experienced, knowledgeable agents who work full-time to seek out opportunities for businessmen like yourself. They are successful men, used to dealing with other successful men. In cooperation with your attorney, they can see to it that your financial arrangements are "planned right."

Many of the uses of insurance that the man of opportunity can relate to your circumstances are covered in our PORTFOLIO OF OPPORTUNITY. It's a collection of timely, penetrating reports, including "Your Closely Held Stock—Gamble or Guaranty for your Family?" The PORTFOLIO is free and we'll mail it to you directly. Address: Dept. BE, 501 Boylston Street, Boston, Massachusetts 02117.



them, instruct more salesmen in the

art of practical politics.

In recruiting and training political workers, MORE looks for individuals who are interested in the success of the Republican Party and dedicated to its principles, are capable of leadership, are available to take the training and train others, are acceptable to local political leaders, are realistic about the hard work and pitfalls of political activity, are ambitious for their party and for themselves to become outstanding leaders in the party, and are willing to work.

The program is being pushed extra hard in southern states, traditionally Democratic, where the Republicans are enjoying more success.

"We are going to run more candidates and back them with stronger organizations," says I. Lee Potter, director of the Republicans' Southern Division.

He believes sentiment in the South is turning against the Democrats, chiefly over such issues as states rights, fiscal integrity, civil rights, and conservatism vs. liberalism

Republicans picked up five House seats in the South last year and this year claim seven important victories in local and state elections. In some instances, Republicans were elected to the office for the first time.

"Victories at any level of government build the organization and spirit necessary to win higher offices and to win electoral votes in the supreme contest—the presidential election," Mr. Potter says.

Mr. Bliss, chairman of the Republican State Chairmen's Advisory Committee, put on two-day workshops for state chairmen in connection with meetings of the Republican National Committee in Washington last March and Denver in June. Another will be held when the Committee meets in Minneapolis this month.

Problems attacked include fundraising; the staffing and operation of headquarters; the use, value and cost of field men; party publications; the cost and use of political surveys; development and coordination of Republican women's organizations; organization techniques in cities and in rural areas; and the recruiting and training of candi-

dates.

Mr. Bliss, who has been a successful Republican leader in Ohio, believes the Republican vote can be increased in the big cities if party workers dedicate themselves to the job.

"There are no pushbutton meth-

ods for victory," he points out, then adds: "While a political organization can be effective in a marginal election (such as the close Kennedy-Nixon race), it cannot affect wide sweeps of opinion which are outside the control of either the candidates or the political organizations."

Hamilton Wright, former marketing expert with Robert Heller & Associates, Cleveland management consulting firm, has joined the staff of the Republican National Finance Committee to put the party's financial operation on a sound, businesslike basis.

"We need a continuous sales job with a continuous flow of money instead of sporadic fund-raising," he told NATION'S BUSINESS.

"We must operate as a sales department and perform the usual functions of market research, promotion and merchandising, distribution, sales control, and continuous supervision.

"We must try to level off income, minimize peaks and valleys. We can't just hope for funds to run our programs, we must earmark funds for investment capital to develop and promote all of our programs.

"We must set up working capital funds and that way provide continuity. Each fund-raising program is like launching a new product."

END

#### LABOR OUTLOOK

continued from page 39

Stowe, arbitrator and former White House aide to President Truman, will have a bearing on negotiation of a new contract next fall covering Atlantic and Gulf Coast dock workers. The study of work practices, utilization of manpower, crew sizes, and other factors was part of the package settlement of a 34-day strike arranged last January by a three-man presidential panel headed by Democratic Sen. Wayne Morse of Oregon.

If employers and union don't settle the unresolved issues covered by the study by July 31, another board will be appointed by President Kennedy to make recommendations for settlement.

Meanwhile, negotiations will like-

ly begin on a new agreement to replace the current one which ex-

pires Sept. 30.

Director William E. Simkin of the Federal Mediation and Conciliation Service looks for fewer strikes next year, following the trend of the past three years. During this period

# Opportunity doesn't end here...

On preceding pages we have talked about some of the uses of life insurance that may represent opportunity to you—opportunity for strengthening your financial situation.

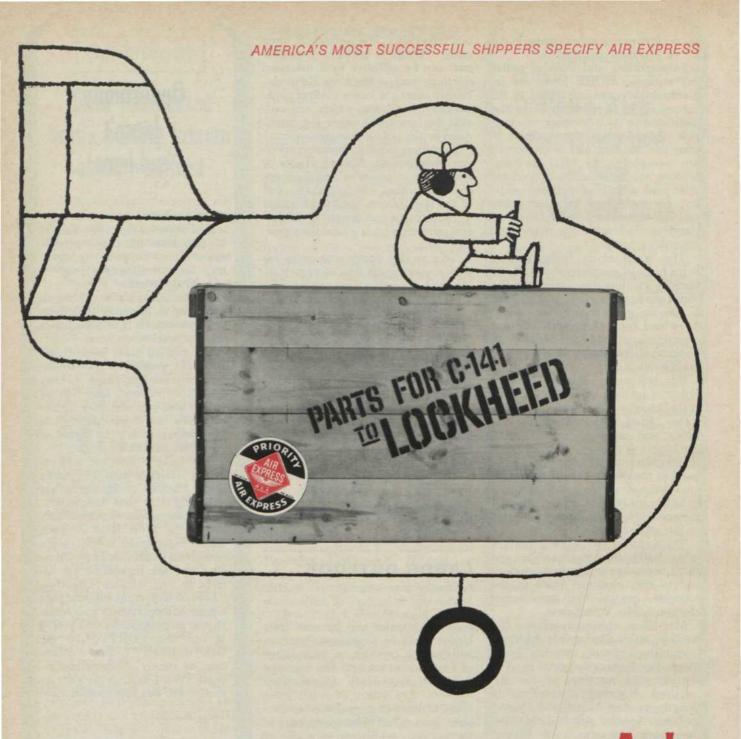
Opportunity, as it applies to you, may lie in one of these uses or in several. Or it may require a use not touched on here.

We had to start somewhere. So we've given you five examples on preceding pages. If they whet your interest, fine. But we realize that you can fully appreciate the real "opportunity" in life insurance only in terms of your own particular needs.

We have "men of opportunity" ready to help. They are a select number of agents in our company with that designation, men whose names we periodically list in the Wall Street Journal. Their experience, special skills and broad understanding of business and tax legislation are offered to you without obligation.

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### Air Express delivered 399 shipments to Lockheed in one month... 95% of them overnight!

Lockheed's business is speed. So is Air Express'...the kind of speed that gets things done on time, in spite of difficulties. Example: 23% of the cities of origin for Lockheed's shipments had no scheduled airline service, yet Lockheed specified Air Express for overnight delivery.

This is how Air Express does it: Whatever the point of origin, R E A Express trucks rush shipments to the nearest airport. There they leave on the first outbound flights. (Air Express has priority on all 38 scheduled airlines — first cargo aboard after U.S. mail.) At the destination airport, R E A trucks rush shipments to consignees.

This top speed service is routine at Air Express, and it's dependable, too! Every customer gets it every time. And yet Air Express is often cheaper than many slower means. Can you afford not to consider Air Express?



#### LABOR OUTLOOK

continued

strike losses have been at their lowest level since World War II.

He expects union demands to stress job security as well as higher wages and improved benefits and employers to press for greater efficiency and economy.

Mr. Simkin also looks for "continued progress in the field of more imaginative bargaining techniques that will permit calm and careful solutions of mutual management and union problems well ahead of the crisis stage of contract deadlines."

In a recent speech to lawyers, he said they could help promote more intensive government mediation of difficult issues. He suggested that lawyers for employers and unions might find it useful, before talks with the other side begin, to try out any tentative new ideas of their client on the mediator and get his reaction.

"A little advance spadework of this kind early in the game can benefit both lawyer and mediator," Mr. Simkin said.

#### **Decisions** pending

The coming year should bring the first decisions from the Supreme Court interpreting the Landrum-Griffin labor reform law of 1959. The highest court has been asked to make two decisions involving secondary boycotts.

One is whether a union may picket a grocery store to persuade customers not to buy fruit supplied by a nonunion grower with whom the union has a dispute.

The other is whether a union may request a store manager to stop buying candy from a distributor with whom the union has a dispute.

Two important decisions are being awaited from the National Labor Relations Board. One is whether the hard bargaining technique of General Electric violates the legal requirement to bargain "in good faith." A trial examiner has ruled that it does. The other is whether a union may fine members who exceed work production ceilings imposed by the union.

#### Organizing

NLRB is receiving a record number of unfair labor practices cases—five per cent above expectations—as a result of new union organizing drives and the more complicated bargaining issues stemming from automation and its effects.

Pilot organizing drives built around coordinated campaigns involving several unions are being pushed by the AFL-CIO and its Industrial Union Department in Los Angeles, Philadelphia, Boston, Chicago, Baltimore, the Carolinas, and Texas. These will spread into other areas next year.

Newest organizing activity, spurred by recent success in the city of New York, is among public school teachers. Under threat of a strike, the United Federation of Teachers won much more than the publicized \$21 million in annual salary increases and \$6 million in improved benefits.

The union won a voice in the determination of education policies.

According to an AFL-CIO account of the union victory: "The old image of the timid, unsophisticated schoolmarm has evaporated in New York . . . the teachers will have a say in educational policy and development . . . the superin-

Profits will recover some lost ground in months ahead, analyst predicts. He explains in article on page 36

tendent of schools (must) meet monthly with a committee of the union for consultation on educational matters . . . school principals (must) meet with union chapter chairmen to discuss school policy. . . ."

It concludes that the AFL-CIO Industrial Union Department, headed by Mr. Reuther, "has supported the New York teachers with finances and manpower and now is providing similar aid in teaching organizing across the country."

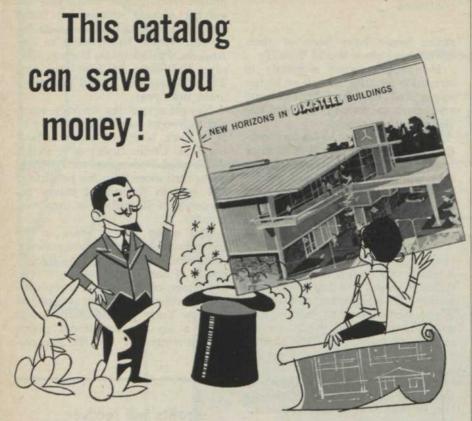
organizing across the country."

Key cities in which the unions are pressing for bargaining rights among teachers are listed as Los Angeles, Washington, D. C., Denver, Boston, and Detroit.

#### Coming elections

As in 1960, many union organizations will endorse John F. Kennedy for president and make his re-election their No. 1 goal. The AFL-CIO's endorsement will be made by its General Board following the nominating conventions of

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#### LABOR OUTLOOK

continued

the Democratic and Republican parties, union sources admit.

Endorsement and election of liberal members to Congress and state offices will also rank high in importance. Chief concern is the narrow balance in the House and the union need to increase the number of union supporters, now numbering about 210, eight short of a majority, if more union-backed legislation is to get through Congress.

Some losses are feared in the Senate, because 12 liberal Democratic senators up for re-election were elected for the first time in 1958, when the Democrats gained 13 Senate seats, some of them tra-

ditionally Republican.

"We can afford no illusions about the prospects for liberal victories in 1964," says AFL-CIO President George Meany. "The outcome of the presidential and congressional elections will hinge on what we are able to accomplish in the major industrial cities and the fastgrowing suburbs around them."

The AFL-CIO Committee on Political Education and other labor political groups will spend millions of dollars in campaign contributions and for "political education." Unions affiliated with the labor federation are being assessed five cents per member to raise \$600,000 to be used to register union members and get them to the polls on election day.

At the state level, unions will be fighting efforts of conservative groups in New Mexico, Vermont, and other states to elect legislators who favor enactment of a right-towork law which would make it illegal to require a worker to join a union to hold a job.

The right-to-work issue will be in sharp focus in Oklahoma, where a referendum will likely be held at the May primaries on a constitutional amendment which would outlaw compulsory union membership. Twenty states now ban it.

Compulsory unionism may become a national issue. Some Republicans favor reversing the present Taft-Hartley labor law provision which permits compulsory unionism except where states outlaw it. They would prohibit it except where states decide to permit it. President Kennedy supports the union position that the law should permit forced union membership

wherever an employer and union

agree to it.

# LESS ADMINISTRATIVE TIME

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Billing time is greatly speeded up with Lincoln Life's simplified Group Insurance, because it eliminates complicated, time-consuming monthly reports. 
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any moment of the day, you have a complete and up-to-date record of all the people covered and the costs involved. 

Additional advantages:

1. There's less paper work. 2. This simplified system is much easier for employees to understand.

For other ways you can benefit from Lincoln Life's simplified Group Insurance, phone or write your nearby Lincoln Life agent.

In adopting the name of Abraham Lincoln, this company assumed the responsibility of measuring up to that name; in character, integrity and thoughtful human service.



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No one type of machine can solve all your problems in paperwork procedures. That's why your 3M/THERMO-FAX Products dealers command the greatest variety of machines and supplies you'll find anywhere. 

Equally important, your 3M/THERMO-FAX Products man can draw upon a tremendous number of 3M office procedures case histories and apply them to solve your specific problems. 

What kind of results can you expect? 

Here are facts reported by

other businesses using 3M/THERMO-FAX office procedures. □□ A garment manufacturer with a multitude of sizes, styles, colors and labels in his line has speeded up his quality control reports by 30%. One steel maker gets out research data two days faster than ever before. A top U. S. chemical corporation prepares national sales figures for top management in one-sixth of the time it used to take. □ The possibilities are unlimited. 3M/THERMO-FAX







3M THERMO-FAX Visual Products for more effective meetings

3M / THERMO-FAX Systems Products speed forms work

New 3M "Filmsort 1000d" Microfilm Processor-Camera

# different kinds of machines?

# different kinds of problems!

infrared Copying Machines are saving time and money in hundreds of different applications for business, government and industry. With a 3M Microfilming System, you can squeeze mountains of data into inches of space—and find facts faster when you need them. You can make business meetings more effective with 3M Overhead Projectors. 

Machines and the know-how to use them best aren't the entire story, either. Your 3M/THERMO-FAX Products

representative can show you the new 3M "Action" Record Roll Paper with the ink built in. Equally new are 3M Offset Paper Masters for short-run duplication. 

But why go on? Instead, just turn over the office problems to your 3M/THERMO-FAX Products dealer. He will analyze your present procedures. Then he can give you complete recommendations—not half-way measures—because he has everything he needs to do the job right.





CHEVROLET FLEETSIDE—best for all-around use. Full-width body has double-wall construction.



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CHEVROLET STEPSIDE—for those who prefer flat interior body walls and convenient side step.



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# WHICH TYPE PICKUP DO YOU NEED?

Chevrolet now makes four different types, each with its own distinct advantages. Whichever one you buy, it's going to prove out a lot more truck than your money bought last time!

#### THE FLEETSIDE

Based on sales, this is the best liked pickup in the world. The outstanding feature of this model is its large body that extends clear out over the wheels. You can buy the Fleetside with either a 6½- or 8-foot body and either 115-inch or 127-inch wheelbase. It is usually voted the best riding truck because it has coil springs at all four



wheels and independent front suspension. The cab and body lower side panels have double-wall construction. The standard engine is our 230-cu-in. Six. If you need more power than that you can get a 292 Six or a 283 V8 at extra cost; also 4-wheel drive. Chevrolet Fleetside—best for all-around use.

#### THE STEPSIDE

If you'd rather have flat interior body walls and convenient side steps between the cab and the rear fenders, you should ask to see the Chevrolet Stepside. It comes in the same two sizes as the Fleetside, plus one bigger size—a 9-foot body



on a 133-inch wheelbase. This big model has a heavier frame, fourspeed transmission, and leafspring rear suspension for maximum payloads. It has the same standard engine and options as the Fleetside model. Chevrolet Stepside—easy to load, more sizes.

#### THE RAMPSIDE

Nobody else makes a pickup exactly like this one. It's the only pickup with a ramp at the side. Elephants have trod the ramp without breaking it. It is 4 feet wide and so is the piano hinge that holds it to the body. Two springloaded latches keep the ramp tight when it's up. The ramp makes loading easy because it's only a 16-inch rise. Also there is a conventional tailgate at the rear. The body and frame-floor assembly are



very rigid because they are welded together. A 95-hp aluminum aircooled engine in the rear never needs water or antifreeze. A 110-hp engine is available at extra cost. It's a fine riding truck because it has independent coil spring suspension front and rear. Corvair 95 Rampside—easiest to load and unload.

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El Camino—the 1964 knockout! Chevrolet Division of General Motors, Detroit, Michigan.

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## COLD WAR STRATEGISTS



## PREDICT NEW MOVES

State Department experts give an exclusive world-wide sizeup of forces likely to affect U.S. foreign policy and business prospects

NEXT YEAR, the United States will enter a largely peaceful world filled with a volatile mixture of political opportunities and dangers.

Russia's agricultural crisis and split with Red China provide an opportunity for the West to encourage long-range peaceful trends by Moscow. But France's President De Gaulle invites dangers of a split in the Western alliance through his policy differences with Washington.

The Soviet satellites in Eastern Europe are bubbling with new nationalistic aspirations which could eventually weaken communism's grip on them. But simultaneously, unsettled conditions in Latin America deepen the dangers of communist inroads in an important part of the free world.

Communist subversion appears to be losing ground in Africa and the Near East—an opportunity. Yet communist China may well launch new offensives above and under ground against free countries in Asia—a danger.

This is the sweet-sour prospect for 1964 foreseen by President Kennedy's key State Department advisers.

For a summary of the likely sweep of international events in the coming year, Nation's Business editors obtained individual analyses from top State Department policy-makers for major geographic areas. All, of course, point out the difficulties of prediction. And all emphasize that events of the year can cause new, unseen twists later.

One veteran diplomat sums up the experts' attitude:

"I think I am encouraged by the prospects," he says. "But one thing is quite clear. There is not going to be any sudden breakthrough or solution to our problems. We are going to be struggling with difficult problems a long way ahead."

Forecasts of the major developments for 1964 as foreseen by the State Department authorities are on the following pages.



## Soviet empire will

WE FACE the new year in Europe with a great many problems. There, we have not only our greatest friends but, I'm afraid, our strongest adversary. Both create problems. I'll deal with the Soviet bloc first and then come back to Western Europe.

It is always difficult to predict what is going to happen with the Soviets. Since the Berlin crisis of 1961 and the Cuban crisis of 1962, however, the Soviets seemingly have realized more than ever that the risks of their former policy are too great, and they would rather try to achieve by negotiation what they have not been able to achieve by threats.

We have had the nuclear test ban treaty, which is a small step in the lessening of tensions. We have had the agreement on bombs in orbit. But these, while significant, are not really large steps. They do not mean the cold war is over. Deep problems remain, particularly Germany and Berlin.

The Berlin wall removed some of the pressures on the East German regime by preventing the escape of a great number of their people, including those most highly educated and most highly skilled.

Despite the wall, there is not an explosive situation in East Germany because of the repressive nature of the regime and its ability to control discontent.

Because of these trends, I don't expect any solution of the Berlin or German questions in the next year. On the other hand, I don't foresee any real crisis over Berlin either, though we may expect harassments and incidents. I would think that the rift between the Soviet Union and China is not going to be healed—it is pretty wide already—but that, on the other hand, it is not going to lead to a break in state relations or a break in their alliance. There will be further efforts to patch up the quarrel.

In Eastern Europe developments are most interesting. Over the past



ROBERT PHILLIPS

Richard H. Davis, deputy assistant secretary of state for European affairs, has had many years of experience in dealing with the communist bloc

year, there has been a speed-up in the de-Stalinization process. There seems to be a general loosening of the former repressive policies of the local governments. There is a trend toward moderation, to give their people more personal security, more incentives, and more consumer goods. There is a trend toward more national independence in some, which in the recent period has been evidenced mainly in the exercise of increasing autonomy in internal affairs. But the regimes are careful in the way they handle this despite their need for a broader base of popular support. They are still primarily concerned with maintaining themselves in power, still maintaining their dictatorships. We look upon this as a slow and gradual development rather than anything sudden or startling. There is no evidence of a Hungary-

## face new stresses

type outbreak in Eastern Europe in the next year or two.

The day is far, far off when these countries will in fact move out of the Soviet orbit. The Soviets obviously consider Eastern Europe to be of vital interest to them, not only in a military sense but, perhaps more profoundly, in a political sense. As the Hungarian revolution showed, they cannot afford to let a communist nation leave the bloc. Otherwise, this undermines their whole theory that communism is the way of the future. This is the profound difficulty with the Soviet view of the world.

Changes are occurring in the field of trade, too. Eastern European countries, as well as the Soviet Union, because of agricultural difficulties, and a general effort to develop their industrial capacities, show a desire to develop their trade

with the West.

There will be more trade overtures next year. The Soviets have over the years made quite clear that they would like to develop trade with the United States. The fact is that, by the very differences in resources, the United States and the Soviet Union and Eastern Europe are not natural trading partners. There is little that the United States finds of compelling interest to buy that the Soviet Union and Eastern Europe produce. Those countries would like to be able to buy more here, but there is a question of their resources, their earnings of foreign exchange in order to enable them to pay for imports. They would like us, of course, to give them credit, but here we run into some difficult legislative and policy problems.

How much, for example, should the West as a whole finance the foreign trade imports of the Soviet

The agricultural problem which has required the Soviets to buy wheat may not repeat itself right away, particularly if Russian plans are even partially successful. But they do have a chronic agricultural problem which does not seem susceptible to any quick solution.

On the industrial side, they also have a lot of problems because they are coming into the stage of an increasingly complex industrial society. One of their chief problems is labor productivity. This low productivity reflects, first, the imbalance of their industrial growth concentration on heavy industry such as steel, coal, and electric power, but little attention to housing, agriculture, and consumer goods. The result is only minimum incentives which woud encourage their people to produce more. They also have a labor shortage in that the new workers joining the labor force are those born during the war years and shortly afterwards when the birth rate was extremely low.

Certainly you won't see any breakdown of the Soviet economy, but you are seeing and will continue to see a deceleration in their

growth rate.

#### What divides allies

With our friends, some of the principal opportunities as well as problems relate to the Common Market. Since France United Kingdom entry into the Common Market in January, there has been a hiatus in the movement toward European integration and a slowing of progress toward an interdependent Atlantic partnership.

Our basic objective is an integrated European community which will work with the United States in meeting world-wide responsibilities. We hope this will lead to greater expansion of trade and economic development and will enable Europe to play the role in world affairs to which it is entitled.

Gen. De Gaulle's concept is of a Europe closely concentrated in the center of the continent-that is, the Common Market Six who would, as he puts it, be a grouping of national states. Fundamentally, this would be under French leadership with the Germans in close partnership.

While the Franco-German treaty means to the Germans a reconciliation of the long enmity and hostility with France, Germany wants to see the United States intimately associated with Europe. The Italians and the rest of Europeans generally

favor this policy.

The prospects for early British entry into the Common Market are not great. However, we can look forward to a period of continued progress along the lines set out in the Rome Treaty toward the establishment of a common agricultural policy, movement toward the creation of a common external tariff, harmonization of economic and financial policies, and the like.

One of the most significant steps provided for in the Rome Treaty is that by 1966 many of the decisions of the Common Market will be taken by a qualified majority rather than on the present basis of unanimous vote. In 1964 there will be continued-if limited-movement toward further integration of the Six, assuming agreement can be reached on a common agricultural policy.

On the military side, there also are many problems in the Alliance: how NATO should move forward on political and economic as well as military matters; strategy vis-avis the Soviet Union and its allies: how to handle nuclear arms for

NATO.

In sum the outlook for 1964 is on the whole good for our relations with Western Europe. But we are going to have a lot of serious problems on both sides of the Iron Cur-

#### See next page for Latin American forecast



# Restless Latins offer Reds more openings

Edwin M. Martin, assistant secretary of state for inter-American affairs, is an expert in the field of economics

FORECASTING what will happen in Latin America in 1964 is exceptionally difficult.

I think this is not necessarily a bad sign. What we and the Latin American countries have joined to do in the Alliance for Progress is to create an accelerated and profound change in the Latin American social, political, and economic situation through a program of broad and deep development over the coming 10 years.

Any program of this scope, in calling for the ambitious achievements that are sought in the Alliance, does involve upsetting existing patterns of action and institutions. Therefore it opens up tensions, conflicts, and areas of uncertainty which are in most human endeavors among the prices of progress through change.

It is not easy to know how fast these will move, how strong the opponents of change will be, how strong will be those who oppose peaceful change and wish revolutionary changes in its place.

The only thing I would regret would be a Latin America in which there was no news because nothing was happening. Our objective is to make things happen and, when things are happening, some of them are good and some of them almost inevitably have repercussions that are bad. But they are stepping



MAROON

stones, if we use them properly, to something a little bit better.

As the Alliance makes progress, people on both the right and the left will become more concerned about it and will seek means to prevent it from continuing to make progress. In some instances, they may be able to join forces with the military, who for this or other reasons may be anxious to displace the government in power.

There are some reasons for optimism. The impact of Castro and Cuba has been seriously diminished by the missile crisis of last fall and by the continued economic deterioration in Cuba. Castro is no longer able to publicize his country as a Garden of Eden which proves what a revolution of his kind could do

for other Latin American countries. Knowledge of the economic situation in Cuba is spreading extensively and, except for dyed-in-the-wool communists, there is general acceptance of the fact that the Castro regime is an economic failure.

#### Venezuela is Red target

In trying to predict communist activity in the coming year, it is quite clear that the Cuban regime feels that Venezuela is a particularly attractive target—partly because it would be a very rich asset for the communist bloc, partly because the Betancourt program is the greatest threat to them and their people, and they don't want it to succeed.

But they are flexible in their targets, and will seek targets of opportunity wherever they see a chance to make a killing any place in Latin America.

It is noteworthy that there has been some evidence of increased Chinese communist interest in Latin America. This is congenial with some of the various brands of the communist party who prefer the path of violence.

There is another style, followed by the Chilean communists who are trying to come to power through a popular front—peaceful infiltration. But beyond a continued emphasis on Venezuela, I think it is very hard to pinpoint where they will make their major push.

There are a number of indigenous forces in Latin America—mostly communists, some anarchists and other breeds of terrorists. Castro seems to be helping anybody who wants to cause violence, whether they are technically communists or not. Nevertheless, with continued vigilance and improvement in police and other methods, I think the potential for containing this violence and further limiting his ability to disrupt our progress is good.

I know no reason to think the situation in Cuba will get better, but it is almost impossible to predict from outside, particularly when you have the kind of iron curtain regime Castro has, when the inside is decayed and ready to collapse. The situation is certainly not improving from his standpoint, how-

There are a number of other encouraging developments in Latin America. Principally, the prices and volume of exports are going well. There is an upward movement in primary commodity prices. Sugar and silver are the most dramatic, but there are other movements in copper, coffee, and a little bit in cocoa. These are important for Latin America's future. They don't solve it, but they represent an easing of the pressure on their balance of payments and their capacity to import the things they need for future development.

More specifically, I think that the possibilities of substantial improvement in the important country of Argentina are quite good. The new government there has a good basis for pulling Argentina out of the financial difficulties it has been in. It is the country with the largest U. S. investment in manufacturing

over the past few years, and there is a great interest in renewing this if the situation stabilizes and straightens out.

Venezuela has an election coming up, but it is maintaining a very substantial economic growth and has added a great amount of manufacturing.

The Chileans seem to be coming out of their financial difficulties.

Mexico is proceeding quite satisfactorily from an economic standpoint. It has an election coming up next year, which may introduce some uncertainly for foreign investors, but the basic economic situation seems fundamentally firm in terms of progress and growth.

#### Brazil outlook uncertain

Brazil is having considerable difficulties with its financial situation but is working out some of its problems. Brazil has had difficulties of this kind for some time but, nevertheless, has had the most rapid growth rate in terms of national product of any Latin American country. But it is really not possible to anticipate just how the situation in Brazil will develop in '64.

The Central American Common Market has done some outstanding things in widening the market for goods and encouraging industrial investment in that area. The exports of these states are increasing, their trade with each other is growing quite rapidly, and the custom duties are lower. This can well become one of the very promising areas of Latin American social and economic development, provided they can get over certain problems of political instability.

The Latin American Free Trade Association is in its birth pangs, and in 1964 will still be working out what it has started. There is a considerable way to go before major steps will be taken. The reductions in tariffs are not automatic. They have to be negotiated and this is a long, hard process.

As we stabilize economic situations in such countries as Venezuela, Argentina, Chile, Colombia and Mexico, the outflow of capital which has been taking place in the last three or four years seems to be diminishing very substantially. The capital goes abroad when the Latin Americans fear rapid inflation and devaluation. As these things are

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#### **COLD WAR STRATEGISTS PREDICT NEW MOVES**

brought under control, it has a tendency to come back.

As these countries get stronger and realize their own personalities more, they want to show more independence. It is not always easy to decide whether they just want to show they can have their own foreign policy or whether they are unfriendly to the United States.

I don't think independence will be reflected primarily in their attitude toward foreign investment. The public utility field is particularly sensitive, however. We can expect more nationalization here, but with compensation that is a property right. Beyond this, I see no evidence of widespread expropriation.

In some of these countries European and Japanese businessmen, in the interest of trade, are making investments which American businessmen find too risky to tackle. The Japanese, in particular, are investing quite substantially in Brazil.

There is an increasing interest on the part of the Soviets in involving some of the Latin American countries in trade with the Soviet bloc. This reflects the fact they have surplus commodities for which they have no markets and they are anxious to find markets wherever they can.

The basic problem the Soviets have is that they wish to operate on bilateral arrangements, so the earnings of these Latin American countries have to be spent in the Soviet Union or bloc. They have a lot of difficulty in spending the money they earn from exporting their wool, meat or coffee.

# New Chinese adventuring threatens Asia

THE CENTRAL FACT of the international politics of Asia is com-

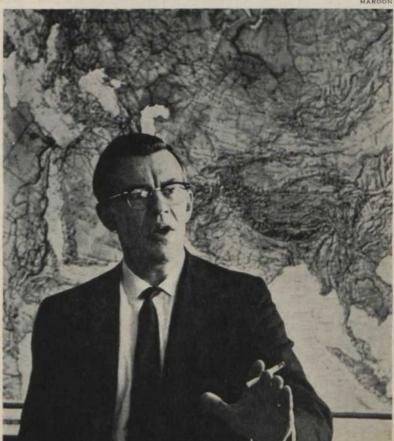
THE CENTRAL FACT of the international politics of Asia is communist China, with 700 million people, and the other Asian communist countries that the Chinese have tentatively under their influence.

The Chinese communists may well explode a nuclear device in

well explode a nuclear device in the near future, but this will not alter the balance of power in Asia. In fact, considering a somewhat longer time span than just the coming year, their nuclear program, no matter how successful, is not going to be a significant factor in the balance of power of Asia.

It takes a long time to get a stockpile; it takes a long time to get a delivery system, and the combination of the two is a long way in the future.

But the communist aggressive attitude means that you are going to see a continuation of attempts to undermine democratic regimes in free world countries in Asia through the sort of activities that they have supported and encouraged in the past. The support for or-



Roger Hilsman, Jr., assistant secretary of state for Far Eastern affairs, was formerly director of the Department's intelligence unit ganized terrorism, such as in Viet Nam, will continue.

Even though they would be reluctant to embark on any massive military aggression, such as in the Formosa Straits, where they would confront us, they may well embark on some political adventuring that could turn out to have risky and upsetting results.

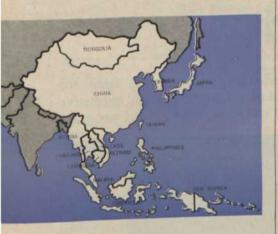
The regime of communist China is Stalinist and aggressive even by communist standards. It is a ruthless regime; it is ruthless to its own people. It has tried but has failed to impose a communist system on the peasants and it continues to have very severe economic problems, especially in the field of agriculture.

In fact, no communist nation has ever really solved its agricultural problem. They cannot, without giving up the essential tenets of the system. They can't provide the incentives for farmers.

In the industrial field, too, they are going to continue to have prob-

The Sino-Soviet dispute is a central political fact of our day. This is not going to result in any clearcut trend or clear result that you can now foresee, but in a period of some flux, some experimentation.

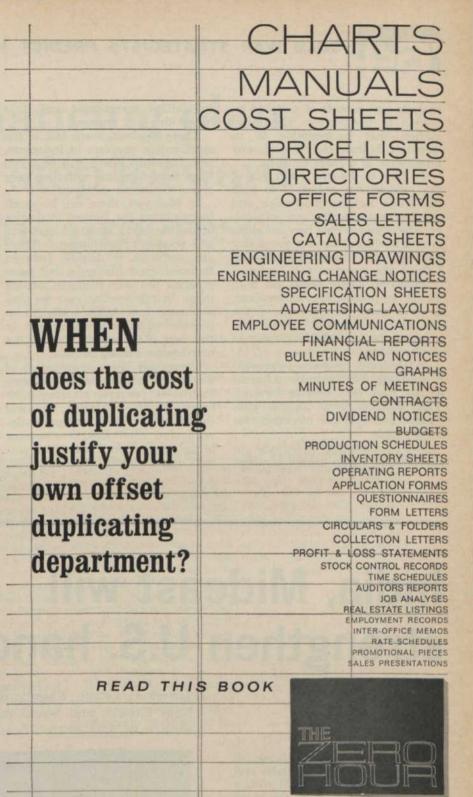
Soviet aid to communist China has stopped.



There will be increasing obsolescence and deterioration of the equipment that the Chinese got from the Soviet, coupled with a lack of spare parts. So, there will be some decline here.

#### Uprising unlikely

Communist China is a police state, and, therefore, I think you



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#### COLD WAR STRATEGISTS PREDICT NEW MOVES

have to put reports of possible rebellion in perspective. The information that is available to us wouldn't indicate that there is any imminence of a mass uprising.

To turn to the free world side of the picture, our policy is to help the Asian nations modernize and develop economically and politically. The achievements here are slower and less dramatic, but our policy has been achieving great results and I think this progress will continue.

Japan no longer needs aid from us. It is prosperous, modernized. It is a good, firm friend of the United States. I think you will see an even greater role for Japan in southern Asia.

In Thailand, programs to provide a solid and economically coherent society have been moving forward. This protects them against subversion and provides incentives for their people.

The presidential elections in Korea were a step toward a return to civilian government and it is hoped this will proceed.

There has been much talk of the stabilization program in Indonesia, and, hopefully, steps will be taken there toward dealing with their very severe economic problem.

In Malaysia, there will be an effort to bring the Borneo territories up to the same standard of living and economic development. There are problems in dispute between Indonesia and Malaysia, but some progress has been made in settling them. In this coming year we may see more free Asian initiative to provide economic development in this part of the world. You will see new leaders arising in Asia.

There will be a continuation of this slow but very steady and very impressive progress all across the board—health, education, political establishment, and economic development. And also development of the internal structure which permits the building of roads, railroads, and all kinds of communities. You might even see some spectacular things in the use of television for education and training.

As this goes on, the severe life on the communist side of the line—the rigid ideological blocking of normal economic and political development—will be more and more contrasted with the free world side.

There are going to be more opportunities for American business and investment in these parts of the world.

I think some new ideas about how to operate in these countries have been coming out and have been developing. The net effect of both economic development—raw materials and things that we can use—and greater political stability is slow, but increasing.

Southeast Asia alone, which has close to 200 million people, is potentially one of the richest regions in the world.

# India, Mideast will strengthen U.S. hand

IN THIS AREA, which extends all the way from Greece to India and Nepal, we are ending 1963 with a better situation than at the start. We can forecast that at the end of 1964 our foreign policy interests will be further advanced than they

are today.

We are in a position for the first time since the end of World War II where there is no imminent threat of organized communist take-over of governments in any of these 18 countries, which have roughly a quarter of the world's population. In Iraq, for example, we were very concerned in 1962 with the danger of a gradual communist take-over;

James P. Grant, deputy assistant secretary of state for Near Eastern and South Asian affairs, has seen extensive service in Asia as an official of the economic aid program



# New financing plan is latest step forward in Curtis progress

#### Present progress

The Curtis Publishing Company has been making steady progress under its new management since July, 1962.

New editorial vitality in Curtis magazines. A vigorous new management team. Substantial cost cutting. A reduction of \$10,683,000 in consolidated net losses for the first three quarters of 1963, as compared with the same period in 1962.

An intensive marketing drive has produced advertising gains for all Curtis magazines. Advertising pages placed or on order for July-December, 1963, are up over the same 1962 period by: +41 pages for The Saturday

**Evening Post** 

+99 pages for Ladies' Home Journal

+19 pages for Holiday

+52 pages for The American

\*Page gains as of October 15, 1963.

#### Sound financing for the future

Now comes another step forward. Curtis management, and a group of banks under the leadership of The First National Bank of Boston, after six months of investigation and planning, have developed a new Financing Plan. This Plan calls for secured term loans up to \$35,000,000 plus authorization for additional borrowings of \$5,000,000, all subject to stockholder approval.

The Plan will convert the company's \$22,000,000 demand bank loans to secured term loans. It will provide an established \$4,500,000 line of credit

for working capital.

The participating banks are: The First National Bank of Boston, Mass.; The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.; The Philadelphia National Bank, Philadelphia, Pa.; Franklin National Bank, New York, N. Y.; Bank of The Southwest National Association, Houston, Tex.; Union Bank. Los Angeles, Calif.

#### Stockholder benefits

The Plan will replace the absolute prohibition upon the payment of all dividends contained in the company's present bankloan agreement with limitations based on future earnings and maintenance of satisfactory working capital.

If the loans are approved, it is the intention of the Board of Directors (resolution adopted October 3, 1963), if no event occurs which makes such action imprudent, to declare and pay, not later than January 31, 1964, a dividend equal to one full year's arrearages. That is, \$3.00 per share on the \$4 Dividend Prior Preferred Stock and \$.60 per share on the \$1.60 Dividend Prior Preferred Stock. This Financing Plan will provide that such dividend can be paid if working capital requirements in the Plan are met and the company has funds legally available for such distribution.

The Plan calls for no change in provisions for consent of stockholders on debt restrictions as set forth in the Articles of Incorporation.

#### The goal: a vigorous, growing company

The management of Curtis declared its goal, a little more than a year ago, of returning the company to a profitable operation. A great deal has been achieved in a short time. And management has plans for the future.

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# 64

#### Cold war strategists predict new moves

the imminent likelihood of this has now passed.

We have seen a basic strengthening of the situation in India, where the Communist Party now is badly divided over the action of the Chinese communists and the whole Sino-Soviet split.

This doesn't mean we don't see all sorts of problems. There are three great threats the United States has to face in this part of the world. The foremost is the communist problem, the threat of both direct aggression and of subversion over a period of years.

Secondly, there is poverty, which produces many problems, including the opportunities it offers the communists.

Finally, this part of the world is subject to regional tensions. In part, this may be because its peoples date back to the beginning of time. We see regional disputes among free world nations, the Indian and Pakistan problem over Kashmir, the problem between the Pakistanis and the Afghans, the Arab-Israeli problem, the problems between the Arabs themselves in Yemen, the noweased Greek and Turkish disputes, all of these with long histories. These disputes threaten the stability of the area and provide the communists with a great opportunity for taking sides.

If we take sides with one group this provides an opportunity for the Russians to take sides with the other.

#### Three-part view

As you look at the area, it breaks down into three parts. The first consists of Greece, Turkey, and Iran, all of these on the soft underbelly of the Soviet Union, all traditional targets of Russian expansionism. All three of these countries are now out of the worst of the woods.

Greece has had some 10 years of steady growth. She has just become an associate member of the Common Market and is getting more closely integrated with Europe. Last year private investment in Greece doubled. She settled her prewar debts with us. We can look at Greece with very considerable optimism.

Turkey also presents basically an encouraging picture. This will be a several year process.

In Iran, the past year has seen

some striking reforms by the Shah—very bold, major reforms in land, emancipation of women, a most vigorous anticorruption campaign. These have led to considerable economic stagnation, but with the settling down on the social reform side we expect to see a gradual pick-up in business and economic development.

South Asia is a subcontinent in itself. India alone has more people than Africa and Latin America put together.

In the subcontinent we can take real satisfaction from the gradual, even though slow, progress that is being made economically. Both India and Pakistan seem to have their economic problems generally under control.

But the Indian development effort is just barely keeping up with the rate that it must maintain to stay ahead of the population increase. India will require foreign assistance



on a major scale, as will Pakistan, for at least another decade.

With respect to the Chinese communist threat to India, it is unlikely there will be an early resumption of fighting on the Himalayan border. On the other hand, we cannot be certain. It is because of this that we need to keep helping the Indians and to strengthen their military position.

One of the real miracles of the post-World War II era has been that India has been able to survive and progress as a single country without breaking up. We need to look at this as a big plus for the whole free world.

Other than the communist threat, the biggest single cloud hanging over the subcontinent is the tension

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'64 Dodge





between India and Pakistan. While we don't expect it to get to an actual boil, this represents a real threat. The Pakistanis feel India has only a reluctant willingness at best to see their continued independence and progress. This affects Pakistan's feelings toward us for aiding India. They have been making friendly gestures toward the communist bloc. as a result. Nevertheless, there are evident mutual advantages in Pakistan's relationship with the free world.

I think, therefore, the Pakistani reaction will be kept within balance during the next year, but it will require careful thought and actions by all concerned.

The Near East, the third part of this area, is the source of the world's richest reservoir of oil. In Saudi-Arabia we have what is probably our biggest single private investment anywhere in the world, nearly \$1 billion. The area remains a tinderbox because of the disputes between the Arabs themselves and between the Arabs and the Israelis.

The communists, after 10 years of major effort in the Near East and expenditure of nearly \$2 billion, are today rocking on their heels in that part of the world and are in substantial disarray, whereas the United States is respected.

Will President Nasser of the United Arab Republic cause trouble? If the Yemen sore continues to fester, if the Egyptians and the Saudis can't disengage, if the United Nations observation mission to Yeman pulls out, the Near East situation will be considerably more

In both Iraq and Syria, Ba'athists have taken over. They represent another major modernist republican Arab force in the Near East other than Nasser. The communists will continue to make a substantial effort to upset them in Iraq.

We do not foresee a serious Israeli-Arab flareup although such predictions are always to be made with caution.

As to nationalization of industry in the entire area, I foresee some easing up in the problem. In most of these countries, as they are able to make real economic progress, this is generally associated with a more tolerant attitude toward the role private business has to play in successful development.

### African specter: Racial Armageddon



G. Mennen Williams, assistant secretary of state for African affairs, is credited with having gained a firm grasp of the fast-changing trends in his area

LOOKING at Africa for '64, I would hope to see the tranquility which has marked '63 as compared with turbulent '62 or '61. But, depending upon the diplomacy of South Africa and of Portugal relating to its African colonies and other factors, there might well be some volatile movements.

The first thing to consider is that Africa is a tremendously dynamic area and the period is one of great change. In a dozen years we have had 29 new countries and more are coming up; this month there will be two more-Kenya and Zanzibar. Next year Nyasaland and Northern Rhodesia will probably become independent around the middle of

the year and Gambia is talking of self-government or independence.

In projecting for '64, I believe that the main feature will be that most of the countries will be seeking to insure their political independence by continued economic development.

In addition, every country in Africa is united in a hope that those areas which are still dependent will become independent. The fact that 80 per cent of the people in South Africa don't have self-government concerns them tremendously.

South Africa is the hard core in the resistance to the whole movement for self-government for nonwhites. Whether the South Africans





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### **COLD WAR**

continued

are going to come up with anything that is going to accommodate the demands of the black Africans seems very doubtful, but I hope they will. The Portuguese colonial problem has also been moving much too slowly for the Africans' taste. The Salazar government, however, has produced a perceptible movement toward self-government. How large and sufficient it will be remains to be seen.

To a lesser extent the problem of Southern Rhodesia concerns Africans because of the lack of self-government for nonwhites. On the question of refederation of Northern and Southern Rhodesia and Nyasaland, I doubt that once they are separate and independent there will be an immediate move for political reintegration, certainly not so long as there is a so-called white supremist government in Southern Rhodesia.

There are some other areas of disparity, too. For example, in the horn of Africa you will have the continued working out of problems between the Somalis and the Ethiopians and perhaps the Somalis and the Kenyans.

### Algerian question weighed

The difference between Algeria and Morocco over their boundary line could remain a problem because this line has never been settled with any definiteness. I don't think Algeria will become a Castro-type communist country. The Algerians are seeking an independent destiny.

Now I don't say that they may not look for help from the Soviet bloc as they may look for help from us. They may have policies or an economy that isn't exactly what we would choose for ourselves, but I don't think they are going to end up as a satellite.

The other big area of volatility has been the Congo. It was extremely close to having the communists move in in considerable force in 1961. While I never feel that the communists sleep, the Congo, if it receives reasonable help from the West, should continue independent.

There are two problems in the Congo, and 1964 will see some action. The big question is whether the Congolese National Army will be sufficiently trained to take over the job of security all by itself if and when the United Nations troops leave. The other problem is inflation. Hopefully, before '64 begins,

an appropriate plan will have been put into effect and the economy moved toward righting itself.

Communism in Africa isn't doing as well as its leaders hoped. The communists in the last couple of party congresses resolved to penetrate Africa. They followed up by putting in more men, more money, more radio, more propaganda. But their efforts at penetration have largely failed.

The communist bloc, I believe, is going to continue its efforts in West Africa. In Ghana there seem to be individual crosscurrents. There is no question but that Ghana is not communist and wants to pursue a policy of nonalignment. From time to time it will do things with which we won't be in agreement. Mali's independent role is also fairly well established. The feeling that the Soviet bloc has bitten off a chunk of West Africa should be dismissed.

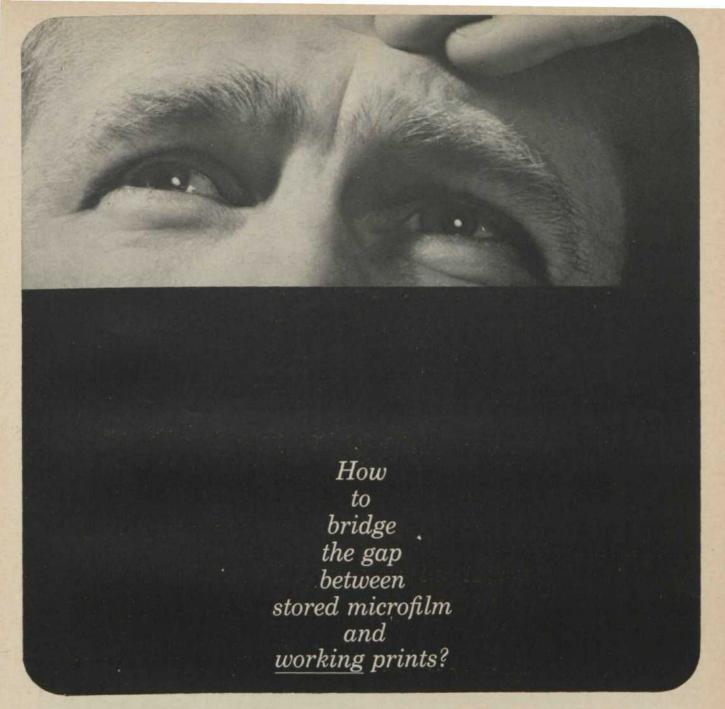
#### Where Reds are strong

Communists are now pinpointing South Africa. The only real communist party in Africa is in South Africa. They have penetrated the entire nonwhite movement for participation in government largely because of failure of any other presence. As the pressures mount in South Africa for nonwhite participation in government, the tendency of the communists to meddle in troubled waters will become a more and more acute problem.

Communist training of African students is another problem. We have read news reports about racial discrimination being practiced against students behind the Iron Curtain, but even if one tenth of these students stay there to get trained in communist schools, they will eventually return home and have a part in some of these new governments.

There are also some broad basic problems which could—but I doubt will—lead to splits from us. The degree of racial tolerance in Africa is almost fantastic. The Africans had an emotional reaction to colonialism which was quite intense, but nonetheless after independence there wasn't any grudge against white men which would suggest an effort to wipe them out.

Nonetheless, the specter remains that there could be a racial Armageddon—black and other colors against whites. I am afraid it does exist because men can be pushed beyond the limit of tolerance. This is a specter we have to avoid at all costs because Africa is tremendously important to us.



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# What it takes to take charge

Mature approach to four key elements is essential

MUCH HAS BEEN SAID about the businessman's responsibility to delegate responsibility. The art of of accepting responsibility has not been nearly so well covered.

Yet every manager has responsibilities which he must accept and carry out. The ability to handle such responsibilities is a key measure of any executive.

The usual guides developed by psychologists and aptitude testers do not offer much help in spotting a man with the potential to handle responsibility. Nor do they offer much aid to the man who wants to improve his own capacity to handle responsibility. Tests are reasonably reliable for jobs where aptitude and intelligence are main considerations. But when it comes to the intangibles of motivation and drive, both major factors in any individual's capacity to take responsibility, the tests fall short.

Furthermore, the tests cannot really distinguish between the natural abilities a man was born with, and the acquired abilities he has picked up in the course of his experience. W. W. Culp, now president of the Ohio College of Applied Science, and former commandant of the U. S. Army Management School, says: "Leaders and managers are made; admittedly some are born with better equipment than others."

The most reliable guides we have are based on what we can learn from observation of men who seem to be outstanding in their ability to accept and carry out responsibility.

To begin with, a man who can successfully and cheerfully handle responsibility has a mature approach to:

- ▶ His superiors.
- ► His job.
- ► His subordinates.
- ▶ The future.

#### **Understanding your superiors**

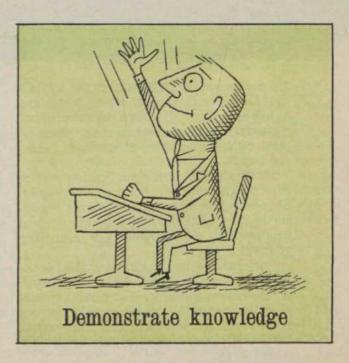
Most jobs entailing regular acceptance of respon-

sibilities involve getting things done through other people. The executive's prime responsibility, however, is to achieve goals set by management. To do this requires that he have a basic understanding of management itself.

According to Edward J. Green, of Westinghouse Air Brake Company, "Good management requires the effective application of resources to accomplish optimum objectives. This means that the manager must understand his objectives so thoroughly that he can determine which are the most important. And then he must make sure that he mobilizes the right resources at the right place at the right time in the right way to accomplish those objectives."

The supervisory executive is, of course, one of management's basic resources in any situation.

Essentially, the main task of management is to



motivate employes to achieve predetermined goals which will advance the business. Supervisory executives aid management in accomplishing this. As the late C. Wright Mills described the executive in his book, "White Collar: The American Middle Classes":

"You carry authority, but are not its source . . . your authority is confined strictly within a prescribed orbit of occupational actions, and such power as you wield is a borrowed thing. . . . You are the servant of decision, the assistant of authority, the minion of management. You are closer to management than the wage-workers are, but yours is seldom the last decision."

The manager also has a responsibility to his own department. The organization which needs the manager to get things done sometimes thwarts him in doing his job. He may even be hampered by the attitudes and actions of the very men for whom he

But the principal responsibility for the executive is always upward-to top management. This involves an obligation to keep management informed of his progress. Any person with responsibility should never let his boss be taken by surprise by anything. Since a superior cannot fully delegate all the responsibility for an activity, he needs to be kept informed. He should be apprised of progress, or the lack of it, on any plans, projects, or programs. If everything is going well, that fact will free his mind for more important matters. If there is trouble, the sooner he knows about it the faster he can move to help avert serious consequences.

### Knowing your job

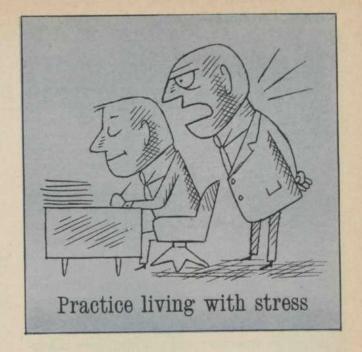
Nothing attracts confidence and respect more quickly than demonstrated knowledge. Furthermore, the man who knows his job builds confidence in himself as well as in others. At the same time, lack of knowledge cannot be concealed long. If there is something you do not know, it is better to admit it, along with a statement of intent to get the information.

Sources of job information are readily available: company literature, job specifications, operating manuals, industry reports, conferences, and, of course, trade, business, and general news publications.

Whenever you are tempted to go to your boss with a problem, or to ask for advice, first think the situation through to the point where you have a solution to suggest. Better still, be able to suggest alternative solutions. The human mind, even an ambitious one, is apt to be lazy at times. When it works out one solution to a problem, it is tempted to slip into neutral. That particular problem is solved. But the best that can be said, ordinarily, is that one solution has been found. It is not necessarily the best solution, or even a good one. You increase the odds of finding a better solution by proposing alternatives.

Michael Faraday, the Seventeenth Century scientific pioneer, could have been advising a modern business executive when he said, "The philosopher should be a man willing to listen to every suggestion, but determined to judge for himself. He should not be biased by appearances; have no favorite hypothesis; be of no school; and in doctrine have no master."

Consider the suggestions of your subordinates be-

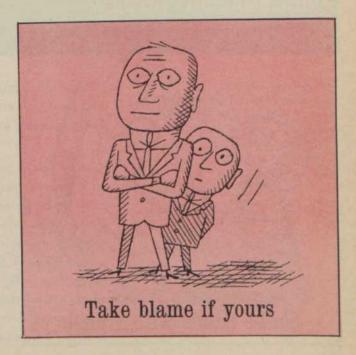


fore making any recommendations to higher management. They may furnish valuable insights that had not occurred to you.

So far as time and circumstance permit, try to plan for every possible contingency. The approach you neglect may be the one that your competitor will exploit.

Demonstrate, as often as you can, that you are willing to accept responsibilities. If you know what problems your immediate superior is struggling with, try to work out solutions on your own. Volunteer information and suggestions in the form of tentative solu-

Know and apply the principles of sound business management. Practice the art of thinking logically and quickly under any conditions. It is not necessary to wait for real problems to get this practice. You can



### TAKE CHARGE continued

use hypothetical problems by asking yourself such questions as "What would I do if-. . . .?"

Furthermore, there is an auxiliary benefit in such practice as pointed out by Dr. Albert Edward Wiggam: "By practicing mental arithmetic 20 minutes a day for 20 days, adults can more than double their ability to calculate. By the same token, creative exercise can regain for us much of the imaginative power we have lost through neglect."

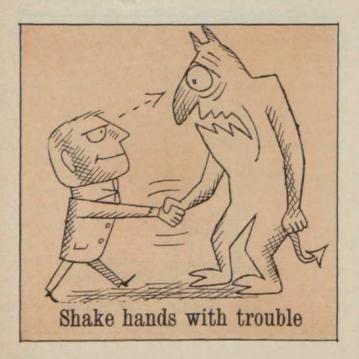
Another point to keep in mind in the managing of responsibilities is the need for reliability in your communications—particularly if they include facts and figures that superiors will use to make their own decisions. Always double-check information and verify sources.

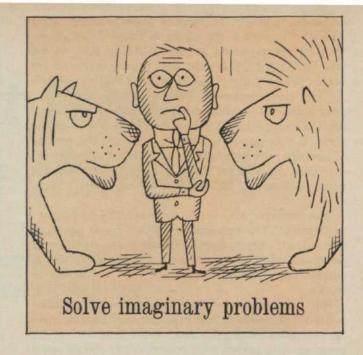
Try to anticipate the need for such data. If you know of any matter your superior is apt to want action on, if possible prepare the needed facts and figures for his use. Exercising initiative is one way you can broaden your experience and gain confidence in handling responsibilities.

There is, of course, the very real possibility that when you develop a course of action on your own you will select the wrong one. But even this need not be disastrous.

As Harold Boeschenstein, president of Owens-Corning Fiberglas Corp., says, "The wrong course, vigorously pursued, is better than the right one followed in a vacillating manner." The theory is the same as that of the military maxim, "When in doubt, attack." Some positive action, even the wrong one, will at least get you information that may remove the doubt, or indicate what the right action should be.

A manager cannot sidestep stress. He must learn to live with it. You cannot enjoy your work until you learn to work smoothly under tension. It is sensible, of course, to plan what you will try to do if things break badly. But this can be done as a game—to





practice using your innate resourcefulness—rather than in a spirit of worry or dread.

### **Knowing your subordinates**

Any executive depends upon other people for the successful execution of his responsibilities. So he needs an intimate knowledge of his own part of the organization. He must have a thorough knowledge of the capabilities and limitations of the people he is dependent upon. They must be assigned to jobs which match their individual capabilities.

You owe it to both your subordinates and yourself to encourage them in exercising initiative, being generous with help if it is requested. At the same time, be sure you also give credit for ideas from your subordinates. In this way establish yourself as a person big enough to share your success and progress with your employes. Furthermore, you increase their respect for you as a boss and earn their enthusiastic cooperation.

Every executive should, of course, have a chief assistant capable of substituting for him at times. This man must not only be intelligent, loyal, and hardworking, but also the type of individual who can work best with you. Having selected such a man, be sure you then give him both the opportunity and the freedom to grow.

The importance of giving subordinates this freedom to grow was emphatically stated by Don G. Mitchell, chairman of Sylvania: "Without question, one of the best measures of a manager's ability is his ability to develop managers—and that means developing the manager, not doing his job for him. A good plant manager is an effective measure of his boss. . . . The manager who spends most of his time complaining about the shortcomings of his submanagers isn't much of a manager himself."

Make sure that he is familiar with your policies and plans. Then grant him the authority he needs. Only in this way will he be able to acquire the experience and confidence to perform the job. In telling your



A little copper can go a long way. Particularly where there's a big electrical job to do and limited space in which to do it. Take big turbinegenerators, for example. In recent years it has become possible to double their capacity without increasing their dimensions.

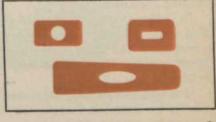
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\*In case you are interested in the technical details, the large tube is 8" Standard Pipe Size, weighs 31.6 lb. per ft. The small hollow conductor is 0.945" sq. O.D., 0.741" round I.D., weighs 1.66 lb. per ft.—only 5% as much. Below are some other cross sections of hollow conductors.



ANACONDA

### TAKE CHARGE continued

assistant or any subordinates what you want done, tell them what to do, but not how to do it. Hold them responsible for results. Supervise, but do not intervene except when absolutely necessary.

### Problems of the business

An eminent businessman once advised, "Be thankful for your troubles; they're responsible for 90 per cent of your income." Though the exact percentage may be questioned, there is no question that problems make jobs. The more problems connected with a job, usually, the better it pays. And there are many men in business today who are not holding down bigger jobs simply because they try to avoid problems instead of looking on them as steppingstones to promotion and higher pay.

In attacking problems, it is better to adopt a uniform approach. Then a new problem doesn't present such a frightening prospect—at least you know how to get started. This is the basis for the military's "estimate of the situation"—a step-by-step procedure every officer is taught to apply even in the stress of combat situations. Simplified, the steps are:

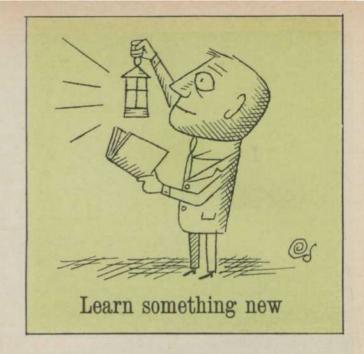
- 1. Determine what you are supposed to accomplish.
- 2. Get descriptions of the situation and alternate courses of action.
- 3. Analyze opposing courses of action open to the enemy.
- 4. Compare these with your own courses of action.
- 5. Decide on the action to be taken.

This procedure doesn't, of course, lend itself to literal adoption in solving all business problems. Among other weaknesses, it is designed to consider situations where there are only two opponents. In business, of course, opponents may be many and varied—even if they are just different interests within the same firm. But a similar approach to problems is a worthwhile tool for any executive to save indecision and wheel-spinning when asked to take on a new responsibility.

Any decision involves a choice of alternatives which, hopefully, will move you closer to an objective. The objective itself may be a complex one involving a combination of factors which could be in actual conflict with one another; and in business, decisions are seldom certainties. But you can flip a coin and stand a 50-50 chance of being right. Add even a slight amount of judgment and imagination, and you should be able to raise the odds to 75-25, or better. Any executive who can be right 75 per cent of the time has nothing to fear from his own decision-making abilities.

In working with problems, the executive will always find some unknowns that involve risk. In these circumstances, the thing to do is adhere to what you think is right. Have the courage at least to initiate action.

It is seldom necessary for a man to assume responsibility for mistakes that are not his. But if he wants to earn the respect of his superiors and loyalty among



his subordinates, he will promptly "grab the buck" when the blame is even remotely his. By so doing, he will not only develop a frank and fearless spirit, he will also build a reputation as a man able to bear responsibility when things go wrong.

#### The future

There are times when the executive is asked to take on responsibility far beyond anything in his previous experience. In such situations, remember that every new problem had to be worked out by someone who was not quite up to it initially. Every big job has to be learned the hard way.

The future, however, is not stumbled upon. It is created by thoughts and acts. Proper planning will lay the groundwork for sound, timely decisions. It will also prepare you to accept more important responsibilities as they arise.

You will also, of course, need a fund of basic knowledge to guide you in making decisions. Read widely; try to evaluate current news impartially. Check your own evaluations with events as they occur to sharpen your accuracy.

And interpret developments in the light of their probable effect on your job or industry.

Observe successful decision-makers and those able to take and carry out responsibilities. If you do not understand something, study it until you do. The responsibilities the executive takes today he will count on as experience tomorrow. The executive who wants to prepare himself for major responsibilities could well make as his motto the observation of Abraham Lincoln:

"I will study and prepare myself, for some day my chance will come."—JOSEPH G. MASON

REPRINTS of "What it Takes to Take Charge" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per thousand postpaid from Nation's Business, 1615 H St., N.W., Washington, D. C., 20006. Please enclose remittance with order.

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Chicago-Detroit	9	5 hrs. 50 min.	1.90	2.15	2.45
Atlanta—Birmingham	10	3 hrs. 45 min.	1.65	1.90	2.20
Pittsburgh—Cleveland	15	2 hrs. 55 min.	1.60	1.85	2.15
Dallas—San Antonio	10	7 hrs. 15 min.	1.90	2.15	2.45
St. Louis—Kansas City	9	6 hrs. 30 min.	1.90	2.15	2.45
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### **PROFITS**

continued from page 37

40 per cent in manufacturing industries. During the same period output per man-hour for nonfarm work rose less than five per cent.

Labor costs continued to rise more rapidly than output per manhour between 1950 and 1957.

But the rise in unit labor costs has been steadily reduced in the past five years. Between 1957 and 1963, unit labor costs in manufacturing industries have been kept about in line with increases in output per man-hour.

Effective barriers to further wage inflation include the persistence of a relatively high unemployment rate. Moreover, the absence of significant price inflation removes an important cause of large wage increases. Difficulties in passing on higher labor costs through higher prices has also reflected industry's resistance to excessive wage increases.

The outlook is for little or no pressure against profit margins because of higher unit labor costs.

#### Price increases

A sizable increase—more than 47 per cent—in the industrial whole-sale price index favorably affected profits in the early years after the war. The continuing rise in corporate sales and the rise in prices further influenced earnings after 1950. The over-all price increase between 1950 and 1957, however, was less than half as large as in the preceding five years.

A considerably different pattern has developed since 1958. Of particular importance has been the steady reduction in price and wage inflation.

Wholesale prices have changed little. In industries affected by price cutting—such as chemicals and electrical equipment—the profit margin has declined. In other industries, such as office equipment, it has tended to increase.

Lynn A. Townsend, president of Chrysler Corporation, emphasizes "intense competition . . . either in the form of outright price reductions or added value built into the product" as a factor in the profit squeeze during recent years.

For individual industries competition may cause price shading while expanding volume may permit higher prices in others.

As for the future, price inflation is most likely to be of minor im-

# CHEVELLE! by CHEVROLET



All-new Chevelle 300 2-Door Sedan

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Now there's more than ever to choose from in America's No. 1 fleet cars. It's the new Chevelle -not just a new model but a totally new and different line of cars.

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operating costs in line? It is. And think what a fleet of them can do. . . . Chevrolet Division of General Motors, Detroit, Michigan.







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to increase driver efficiency and reduce operating costs.

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#### PROFITS

continued

portance. Continued price stability is expected.

Large deficits in the federal budget create pressures for higher prices. These pressures, however, will not be reflected in price inflation so long as there are idle resources both manpower and plant capacity.

#### Sales rise ahead

The outlook for further growth in the economy is excellent. While you can expect periodic mild recessions, the economy should continue to grow without important interruption.

Earnings in the period ending with 1950 were influenced favorably by an 80 per cent increase in corporate sales. Volume also rose after 1950, though profits were depressed for other reasons. Despite a more than 25 per cent increase in volume during the past five years profit margins have stood virtually unchanged.

The future, however, holds a more favorable promise. A volume increase should be accompanied by

higher profits.

Another factor will figure importantly for many industries. The huge research and development expenditures of years past are just now beginning to show more satisfactory results and should make possible new economies in production and selling which will yield greater profits.

The prospective easing of the squeeze on the corporate profits has implications beyond the earnings of business. For example, the profit squeeze has an impact on the volume of new investment, the forms it takes, and the number of job opportunities that become available.

Robert C. Tyson, chairman of the finance committee of the United States Steel Corporation, observes: "It is not mere happenstance that the postwar downward trend in profit margins has been accompanied by an uptrend in unemployment that now threatens to become chronic."

Hence, the potential of corporations to earn more provides a major opportunity to reduce unemployment. Though the jobless rate is a product of other trends as well, it is closely related to business earnings.

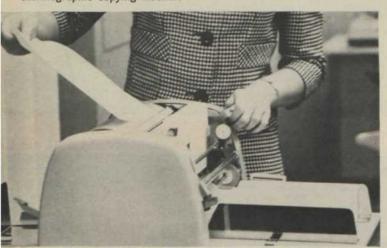
-Jules Backman Research Professor of Economics New York University



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# HOW U.S. PROMOTES JOB-HOPPING

Employers are taxed to subsidize centers in which their employes can line up a new job

UNCLE SAM'S ROLE as a job broker is coming under increasing criticism.

The controversy centers around the United States Employment Service and its affiliated state agencies and their efforts to find jobs for professional and executive personnel.

Critics of USES charge that employers are being taxed to support government advertising and plush new public centers (see photos) where people who already have jobs are tempted to switch to positions with other firms. This, according to the critics, means that some businesses are unwillingly underwriting the loss of their own workers at a time when skills are in short supply.

Spokesmen for the federal agency answer with the claim that 90 per cent or more of the placements each year are of people without jobs. They argue, too, that they have the authority to serve any jobseeker, regardless of his present employment status.

### Manpower control feared

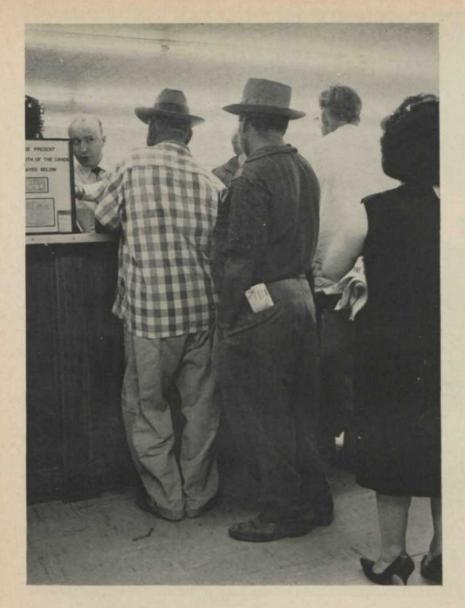
Louis Levine, director of the United States Employment Service, seems as unmoved by the new criticism of his agency as his critics in private industry are by Mr. Levine's protestations that the many-faceted endeavors of the agency are in the best interest of the nation's economy.

"For government to operate nontaxpaying placement centers for executive-level people is unfair com-



PHOTOS: HERSHORN-BLACK STAR





Contrast in Texas: Swanky quarters (extreme left) are lure for jobseeking Dallas executives. But industrial workers line up in far less plush office in same city

Professional job interview (far left) takes place in a posh Dallas setting. The industrial worker, however, gets assembly-line handling in another state-run center





"Members of the business community play a vital role in maintaining and building the strength of the American economy-in converting its great potential into higher standards of living and Free World leadership."

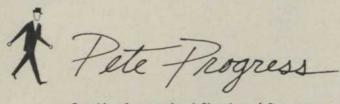
JOHN F. KENNEDY

Alone, a business man can do little to build and maintain this nation's strength. But business men working together can star in the role the President has singled out.

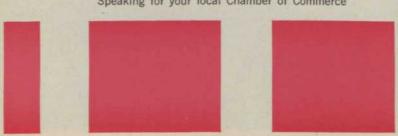
The stage is already set. It's your local chamber of commerce - the place where members of the business community are putting their minds and shoulders together to improve the standards of living and working in your city.

In city after city across the country you'll find the same thing true. Business men - in fact, more than 3,300,000 of them - are working together to build the grass roots strength of America - and they're working through their local chambers of commerce.

Why don't you try out? There's a role for you,



Speaking for your local Chamber of Commerce



### JOB-HOPPING

continued

petition and an outrage," says private placement specialist Lon Barton, of Chicago, one of the more vocal critics of Mr. Levine's oper-

Mr. Barton, like many other feecharging employment brokers, fears that expansion of the public employment service in the field of executive placement presages eventual federal control over the country's manpower.

What is especially galling to some employers is the fact that they have to pay (through the Federal Unemployment Tax Act) for USES operations. The agency, created in 1933, works in cooperation with the states in running 1,900 public employment service offices, including the more than 100 offices which now specialize in executive or professional placements. Ten separate offices for the latter purpose have been set up. While all the offices are run by the individual states, the federal government finances them and sets standards which they must follow.

To charges that the government should not discriminate by having separate offices for rank-and-file jobseekers and those of executive caliber, USES spokesmen reply that executives require lengthy interviewing and counseling and sufficient privacy and dignity of surroundings to go with their status.

#### **USES** advertising criticized

Mr. Levine envisions a broader role for his agency, not only in the field of executive manpower placement, but in placement work on college campuses when invited. He feels there is plenty of room for federal and state activity, along with the work of the more than 2,000 fee-charging employment agencies of America.

The public employment service spent some \$625,000 in the past fiscal year for advertising, but argues that it uses classified adsa particular target of the criticsonly when all other methods of recruitment have been exhausted.

Manpower monopoly by the federal government? Mr. Levine says this is impossible, since-he claims -public and private employment agencies together account for only an estimated 20 per cent of the hires in the national labor market.

The fight seems likely to continue. END



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One custom-crafted contract can give you all the insurance protection you want—including maximum inventory protection at peak seasons automatically, and essential business interruption insurance... virtually every type of coverage your business needs—at lower cost!

The Home's Business Owner's Policy was designed for modern retailers. It is made to fit your needs precisely...tailored, superior protection without insurance gap or overlap—one policy, one renewal date, one 3-year contract.

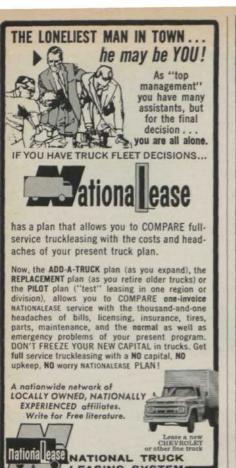
You name it... The Home's Business Owner's Policy has it! Physical damage protection... broad business liability coverage... protection from crime loss... automatic extensions to cover you in virtually any situation, an optional fluctuating inventory provision to protect businesses with peak selling seasons plus business interruption insurance available under the same contract.

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See your Home agent now. He'll also show you how THICO, The Home's premium budgeting facility will make it easy to pay...premiums may be paid monthly, quarterly, annually or seasonally.

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### HEALTH CARE

continued from page 43

social security financial commit-

In early 1960 I expressed in a published article this same type of concern as to the medical care for the aged plan which was pending then, and I have never felt differently about it.

Of course, when I was postmaster general, the social security program was no part of my direct responsibility. I had plenty of problems of my own to worry about, and while I was in office I, of course, supported in general all of the President's program.

But, as a person with some degree of special knowledge in this area, I have been concerned that there has been so little attention to the two points I am emphasizing here: First, that because of the political appeal of social security liberalizations this health program is bound to be extended way beyond what is being proposed now. This is shown by the patterns of the oldage benefits that have been extended many times in the past. It is shown by what has happened to private health insurance plans.

The second thing I think isn't recognized sufficiently is that the tax base for social security comes out of the same payroll check that has to pay for local taxes, for the defense effort, for the space program, and everything else. Just because it is called a payroll tax doesn't mean that it is something that is available above and beyond all our other demands for public revenue.

Mr. Day, you mentioned a pattern of liberalizations in private health insurance. Could you elaborate on this?

Most private health insurance plans worked out by negotiations with employe groups start out, for example, with a very substantial contribution by the employes to the cost. In each round of bargaining there are efforts, often successful, to get the employes' contribution reduced or entirely eliminated, which greatly increases the cost to the employer.

I think that the precedent of what has happened to the private plans is something that I have not seen discussed in alerting the public and the Congress to the implications of this federal health program.

Now that sort of thing might happen, too, as your total social security cost increases. We are the

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You don't care about slippery streets and sidewalks now.

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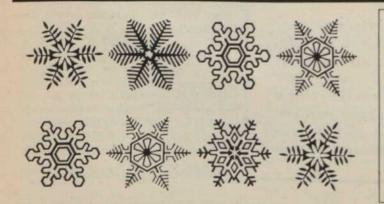
Secondly, because now is the time your city should

be ordering Morton Safe-T-Salt . . . to keep pavements clean and business flowing even when it's snowing.

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### **HEALTH CARE**

continued

only country that has this 50-50 employer-employe participation in paying the cost of our social security plans. There have been suggestions already that a larger proportion of the cost should be loaded on to the employer.

### Is there ample private health insurance for people over 65?

There is plenty of insurance available for people who have the money to pay for it. But I don't think anybody can say there is adequate private health insurance for people who don't have the money to pay for it. Health insurance for old people costs substantial money. And many of the people who would be most in need of medical care are people who would be very poor risks from the insurance point of view because of their poor health.

### Do you feel that the introduction of a federal health care plan changes the basic philosophy of social security?

It is a distinct departure in that, for the first time, it provides service. Until now the social security program has provided dollars. But this health care plan provides, for example, after the deductible, whatever a semiprivate hospital room

Now we all know that the costs of hospital care have been going up quite markedly in recent years. They have been going up at a faster rate than the cost of living or than average wages.

There is, therefore, a new departure right there in that the government is taking on an obligation which is not necessarily keyed to the revenue that is coming in.

Assuming \$37 a day cost for a semiprivate room, long-term hospital care is a benefit that is very valuable. Then there is a nursing home benefit that can follow that, and home visits besides. That would be a very generous private insurance plan and the premium would be substantial.

If we could afford it, this is a program with a great deal of human appeal. But there are many things that have great human appeal which we simply can't afford to do in view of our federal budget crisis, which is tied in with our balance of payments gap and our pressing needs for urgent purposes such as defense.

Would the addition of health care en-

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### **HEALTH CARE**

continued

danger the rest of the social security structure?

I don't think it will endanger it in the sense that it will cause any part of social security to be discontinued, but one of the big troubles is that people are inclined to think because social security is financed by a payroll tax that it has some separate source of financing from the rest of government activities.

There is only 100 per cent of the nation's payroll available as a source of tax revenue for federal government, state government and local government, and as the percentage of the payroll tax continues to go up, as is already scheduled and in the law now on the books, that increases the total tax load.

The social security plan is often mistakenly thought of as an insurance plan, but it is in fact a payas-you-go plan. The present trust fund would pay only the benefits now being paid for about a year and a half. So it is in no way comparable to the reserves that are held by an insurance company to pay pension benefits.

As the benefits are liberalized they have to be taken care of on a pay-as-you-go basis by either increasing the tax take at the present time from increased payroll taxes or else going through the pretense of keeping the payroll tax low but paying for it out of general revenues. But in either case it comes out of people's incomes.

The President has stated in connection with his support of the tax cut bill that he intends to take every feasible step to keep down spending and to avoid having the tax reduction cause a long term increase in the deficit.

But an obligation such as is taken on by a new social security benefit is an obligation for all time.

### Isn't the disability portion of the social security fund in danger of running out of money?

Yes, the disability fund—which is a separate trust fund—is running lower than predictions, and Rep. Wilbur Mills [chairman of the House Ways and Means Committee] has already been proposing that the taxable wage base be increased for the purpose of supporting that trust fund.

The very same proposal for practically the same amount in the taxable wage base is part of the Administration's proposal for financing the health benefit. And you can't finance both things from the same source

What has happened to the disability benefit is a glaring example of what I am talking about. It was started only in 1956, and at that time was available only to disabled people who were 50 years old or older. In just the short time since then, that age floor has already been taken out and it is available to anyone of any age.

I feel absolutely certain that the health care program, even though it starts out at 65, would inevitably be extended before long to all people receiving social security benefits, which include many dependents under 65. It would be lowered as far as the actual principal beneficiaries are concerned to lower ages, and probably eventually the age limit would be off entirely. The financial implications of that are incredible.

### Do you have any specifics as to financial implications?

The medical care plan which is being proposed by the Administration is similar to a plan that was proposed for several years by Rep. Aime Forand. Known as the Forand bill, it would have provided the hospital benefits to anyone receiving social security benefits, including dependents, and it was estimated that in just 10 years the Forand bill would be costing \$8 billion a year.

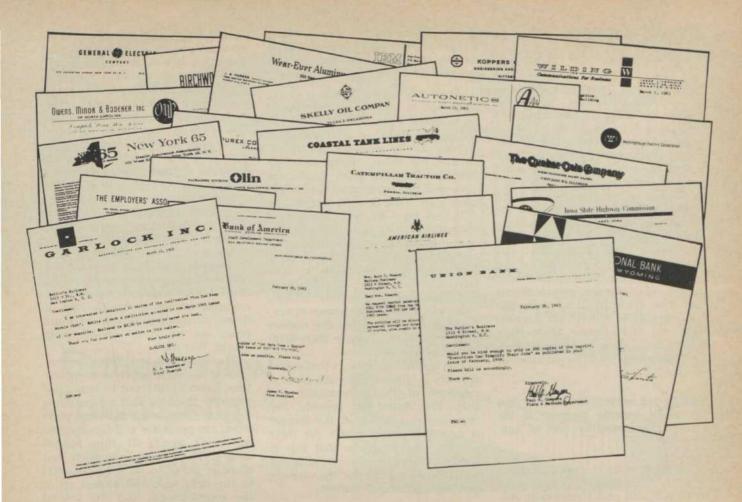
### Would it be likely that the health plan would be broadened to pay for even more of the cost of people's sicknesses?

Definitely yes. It has been customary in private health insurance plans, no matter how modest a scale they started on, to extend them to cover surgical and medical benefits. There is no surgical benefit in this plan at all.

There is also a tendency to extend them to drug benefits. There is no provision for providing drugs except as they might be an incidental part of the hospital care.

We are all familiar with the controversies they have had in England over paying for false teeth and for wigs, but these aren't ridiculous items at all as far as what is probable in extending this plan.

Many private health insurance plans as a result of many rounds of negotiations now include psychiatric care. If you begin getting that sort of thing into a publicly



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### **HEALTH CARE**

continued

financed plan the sky is the limit as to what it might cost.

This matter of the deductibles is something I feel is likely to last a very short time if the bill passes because there will be highly publicized cases of individuals who are not able to come up with that \$50 or \$75 or something of that kind.

The same thing is true on the time limits on the stay in the hospital. People may be glad to have any benefit at all at the start, but when you have highly publicized cases of people who have to be moved out of the semiprivate rooms that they are entitled to under the bill, have to be moved out because they are sick longer than their benefit lasts, there will be demands that those time limits be extended or eliminated.

How do you account for the fact that the social security program is liberalized so frequently and so consistently?

To begin with, it is a bipartisan type of phenomena. It is done both in Republican and Democratic Administrations. I think it is because people are getting an immediate benefit which is, in fact, going to be paid for later.

Are the social security trust funds in danger of going bankrupt on the basis of the tax structures that are programed now?

They are not in danger of going bankrupt in any sense that should be a matter of concern to the participants. There is no reason for anyone to be panicky about receiving his future social security benefits. But the trust funds are very small in relation to the obligations that have been incurred.

If you take the total amount of obligations that are already incurred for social security payments and subtract from those the amount of revenue which is to come in from payroll taxes now provided for there is a deficiency of over \$300 billion.

Now if it was an insurance operation you would say that the reserve fund was short by more than \$300 billion.

But because of the fact that social security is supported by the general revenues of the government and they are bound to provide the revenues to pay for it, the danger is not that people won't get their benefits; the danger is that this is another enormous commitment which is competing for the already overloaded federal budget.

Mr. Day, you used the term "budget crisis." What do you mean by that?

I think that the federal govern-

ment has reached the point where we must consider whether we have borrowing leeway in large amounts in the event we need it for genuine emergencies such as war or a major depression. We all hope and expect that neither one will take place. But back in the 1930's when we went into a deficit spending program to try to do something about crushing unemployment we had a relatively small federal debt.

Now we have the federal debt up to a level where it is really questionable whether we have unlimited borrowing leeway that we have had in the past in times of crisis.

I consider it is crisis when the federal deficit is running at \$6 billion or \$7 billion a year in times of increasing economic health and in times of relative peace, as much peace as we have known since World War II.

The fact that the deficit is continuing as high as it is in peacetime I don't think can be explained away by thinking that we are going to reach some point in a few years when our problems will be over and we won't need all this federal money. There is no indication that there is going to be a sudden end to the cold war, and almost all of the commitments that the federal government has are of a type that continue to grow automatically.

So I think that we have come to the point long since where we should stop thinking in terms of whether these things are desirable from a human point of view, and make the same hard decisions that city and state and county governments have had to make for years.

They generally cannot borrow money without a vote of the public on a bond issue, and as a result they have to get along with services, with facilities that are less than what it would be nice to have.

One of the odd results is that we are constantly told that cities and states and counties can't afford to do certain things such as pay for rapid transit systems, but that the federal government can.

In my opinion it is least able of all to pay for them because it is living strictly on borrowed money, and there is no firm program for paying off that debt.

REPRINTS of "Ex-Cabinet Member Opposes Health Care Plan" may be obtained for 30 cents a copy, \$14 per 100 or \$120 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington, D. C., 2006. Please enclose remittance with order.

### WHAT HEALTH SCHEME WOULD AND WOULDN'T DO

HERE ARE the major features of the health care program now pending in Congress:

Eligibility—Anybody 65 or over could be eligible, including more than one million persons covered by social security but not drawing it because they are making too much money. Also included: about 2.5 million aged not covered by social security.

Services—Bed and board, nursing care, drugs, diagnostic and therapeutic work, and doctors' services while in the hospital and out-patient diagnostic services; nursing care, bed and board, medical services and medicines while in nursing home; parttime nursing care in the patient's home.

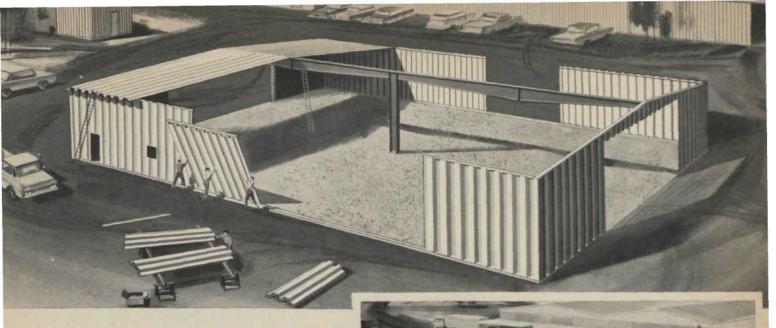
Choices-Patient would have

choice of three plans ranging from 45 days in hospital or nursing home at no cost to 180 days of hospital and nursing care but with the patient paying about \$92 toward his care.

Once chosen, the plan could not be changed.

How financed—Both the social security taxable wage base and the tax rate would be raised. The tax would go up another one half of one per cent of \$5,200 on employers and employes and four tenths of one per cent on self-employed.

Services not covered—The proposed legislation would not pay for surgery, doctors' bills, private nurses, drugs or medicines outside hospital or nursing home, or dental or psychiatric care.



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# Federal budget hides big spending

Announcement of what's to be spent may be off by \$5 billion

A TIGHT FEDERAL BUDGET for the coming year could be of untold aid in swinging the 1964 election for John F. Kennedy and his fellow Democrats.

Rarely in our history have the government's spending plans held such political importance. Rarely has the temptation been so great for budgetary sleight-of-hand.

A tight budget is being demanded in Congress as the price of the President's tax program. Unless taxes are cut, recession is more likely. Bad times are especially hard on the party in power. An economy budget could not only ease the way for tax reduction and other pending legislation, it could take some of the sting out of Republican charges of high spending.

But built-in increases for existing government programs and electionyear spending temptations will put great pressure on budget-drafters trying to present a picture of austerity.

When the fiscal 1965 budget is announced in the next few weeks, you will need to look behind the headlines.

Things may not be what they seem. But if you know what to watch for, you won't be fooled by false claims of economizing.

Because the federal budget is a powerful political instrument as well as an accounting tool, several paths are open to budget-makers to give a public impression of thrift. Their strategy seems to include three approaches:

- Actual economizing.
- ► Multibillion dollar figure-juggling.
- Attempts to persuade the public that spending must be high.

Budget Bureau Director Kermit Gordon tells Nation's Business that "without question" the coming fiscal '65 budget "will be extremely tight." The kinds of guidelines that will govern new spending will be of the "greatest severity."

Surely the wails from federal agencies have been more plaintive than usual under the Administration's current restrictive instructions. A few of the figures given to agencies as recommended spending ceilings were even below budget figures for the current year.

To help get his tax cut program through the House of Representatives, President Kennedy promised that the cut would be accompanied by spending restrictions. He also assured the lawmakers that the deficit for the coming fiscal year will be held to a smaller amount than the \$9 billion figure forecast for the current fiscal year.

Congressional economy moves caused by an underlying current of public concern about heavy spending—have put the Administration in the position of having to come out four-square for thrift.

Actually the current Administra-

tion would hardly be invading virgin territory when it practices budget trickery, as now seems most likely. Since the annual presentation of the federal budget began more than 40 years ago, fiscal magicians of both parties have practiced their art.

A major reason why the federal budget is subject to legerdemain is that traditional totals used by the President in his budget message and played up in the press do not disclose the magnitude of the ebb and flow of money.

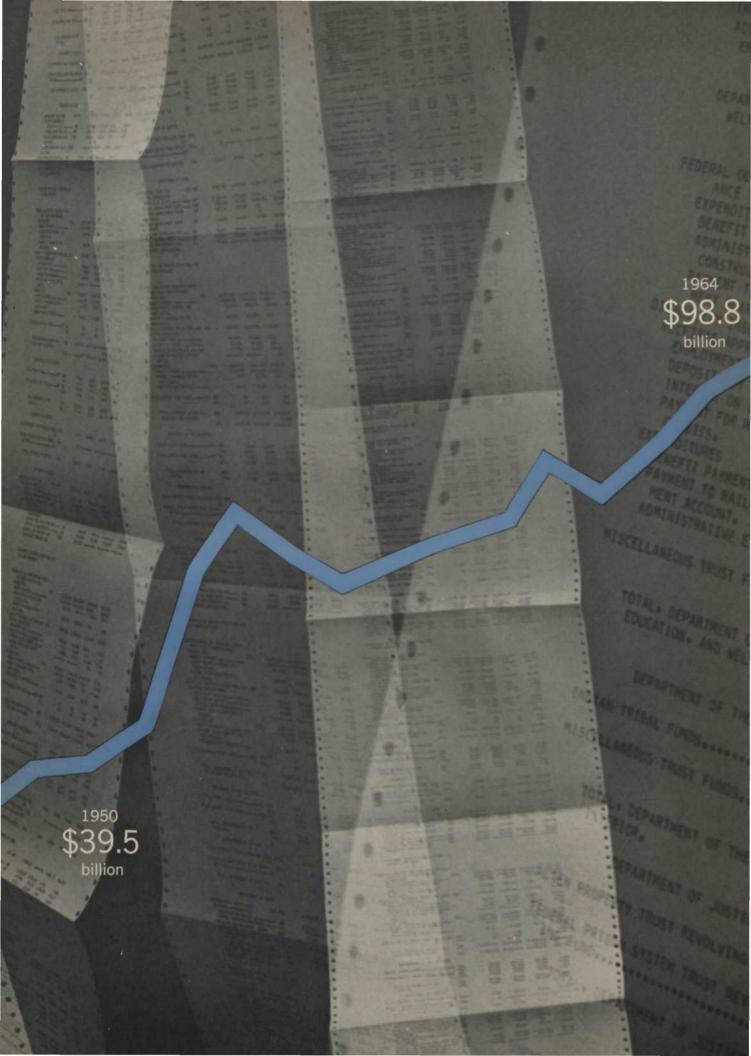
Moreover, the spending figures emphasized in the budget, talked about in Congress, and reproduced in the press are not the most important long-run figures to show future spending.

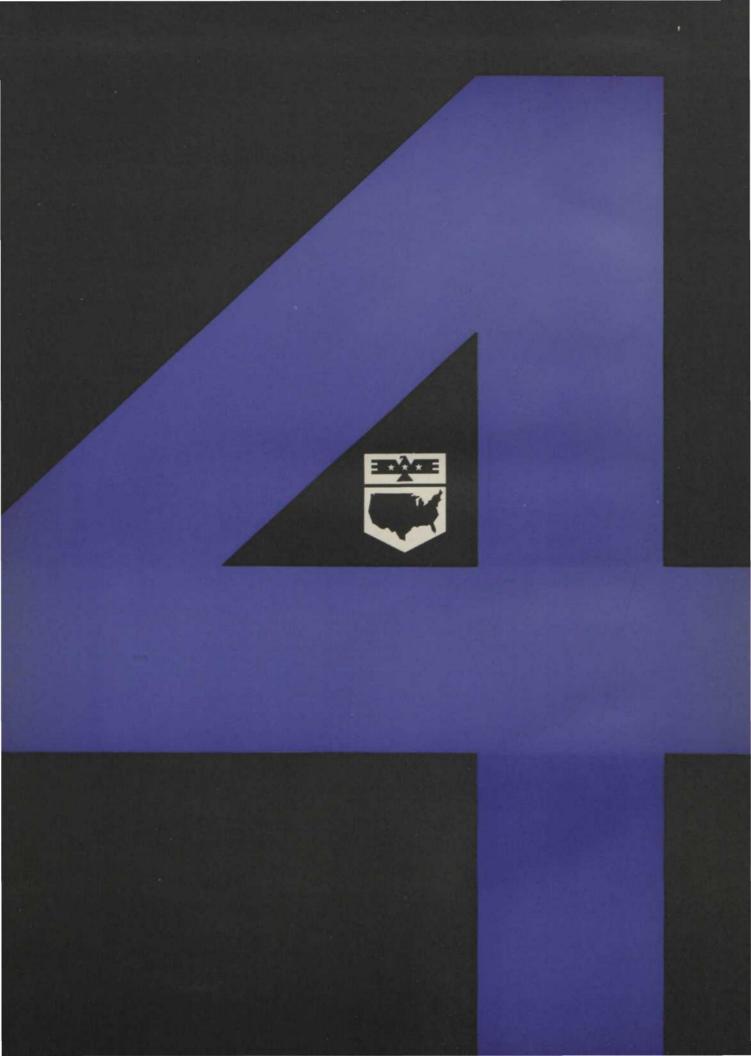
For example, in the current fiscal 1964 budget, expenditures were estimated at \$98.8 billion. However, when the government's outlays from special social security, highway, unemployment, and civil service retirement funds are included, the outgo from the Treasury is more than \$122 billion.

The Administration, as well as most accountants and economists, would rather see the stress put on the cash budget, which includes this fuller measure of income and outgo.

But the budget is still thought of as the lower \$98.8 billion figure, partly because it is the administrative budget's spending and receipts that determine the size of the deficit

(continued on page 104)





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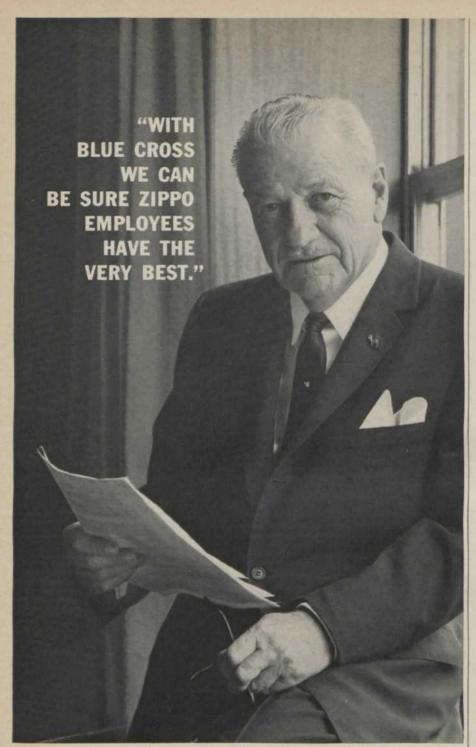
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### **BIG SPENDING**

continued

or surplus. If the administrative budget is balanced, then the national debt is not increased. Perhaps as meaningful politically, most people think of the balanced budget as fiscal responsibility.

More important-and even some congressmen do not understand this -the budget figure of \$98.8 billion is not the best indicator of government spending for vet another reason. This figure is merely an estimate of what the Administration thinks it will spend in a given fiscal year. What is really significant is another figure, called new obligational authority. This, essentially, is the amount the Administration asks Congress to appropriate. In the current budget the figure for new obligational authority is \$108 billion. The Administration predicts it will spend a certain amount in a year, but at the same time it asks Congress to give it power to spend more than that amount either in this year or future years.

### Many techniques are used

Because it is so important for public relations purposes to make the budget spending figure appear low, the Administration could resort to a variety of techniques to accomplish this.

First, there is the technique of asking for a nibble to start a program with the expectation of much larger spending in the future. For example, in the current budget the Administration asked for a massive omnibus federal education bill. To get this program started, spending for the first year was estimated at a mere \$144 million. So this amount was all that went into the \$98.8 billion administrative budget. But at the same time, the Administration asked for new obligational authority-an appropriation-of \$1.2 billion.

A second technique the Administration can use to make the budget look smaller involves overly optimistic predictions of sales of government assets.

Budget Bureau officials could make their estimate on the basis of plans for larger sales of such financial assets as Federal National Mortgage Association (Fannie Mae) mortgages or Export-Import Bank notes. The proceeds of such sales are counted as offsets against expenditures. The current budget predicts sales of such assets at \$1.8 billion

although the estimate in the previous fiscal year was only half that. The effect was to make projected spending look better by about \$900 million.

This could happen again, though this time a prediction of high sales might well be unrealistic since interest rates are likely to go up.

A third tactic the Administration could use involves stretching out payments to defense contractors. Military procurement is now on the order of \$16 billion a year. The government could pay some bills just before the start of fiscal 1965, or delay payment of some bills until just after the end of a fiscal year. One month's stretch-out at either end of the fiscal year could change the spending figure by more than \$1 billion.

### How books are juggled

A fourth method the Administration could use to shrink the spending column involves underestimating hard-to-predict expenditures.

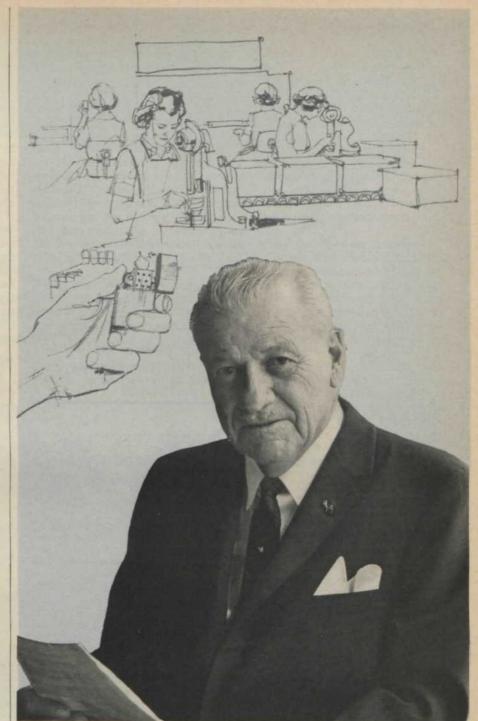
The budget men could predict big sales of government-held surplus farm commodities to communist bloc countries, in view of the wheat negotiations with Russia. Such sales could reduce the cost of holding farm products in storage. Budget estimates in the agriculture area are notoriously inaccurate.

A closely related tactic would be to underestimate the cost of such programs as welfare grants. Since the law provides that the payments will be made whether they are underestimated or not, it would mean a supplemental appropriation would be asked later. But this would be long after the budget estimate.

To show how much money is involved in this kind of fund-shuffling, the present budget asks some \$3.9 billion in supplemental appropriations to pay bills over and above the spending estimate of the prior year.

Another technique that would remove a chunk of spending from the administrative budget undoubtedly will be tried in the coming budget. It involves the Rural Electrification Administration. Last year the budget listed a reduction in REA and Farmers Home Administration loan programs. But the reduction was through a bookkeeping device. Repayments of loans to REA would be an offset against expenditures and reused instead of going into the Treasury. The effect was to cut the budget estimates by \$151 million. Congress so far has rejected the idea.

Still another possibility for shaving the apparent size of spending would involve the hope for enact-



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### **BIG SPENDING**

continued

ment of legislation that would reduce spending needs. For example, the Administration almost certainly will try again for enactment of a health program for some of the aged to be financed under the social security system. Expenditures for such a program, which to date has failed to earn congressional approval, would be paid from a federal trust fund separate from the regular budget.

In predicting passage of such legislation, the budget-makers could estimate smaller spending for an existing federal-state program for helping needy aged with their medical bills. This existing law, called the Kerr-Mills law, will cost more than \$200 million in the next fiscal year because more states plan to make use of it.

Since the social security aged health scheme would pay only about 25 per cent of elderly people's medical costs, there would, in truth, be little room for savings even in the remote event that the Administration's health plan for the aged should pass.

### Pet projects get approval

Then there is the technique of budgeting a relatively tight amount for a program that is such a favorite of Congress it is sure to be raised. Until this year, in every year since 1952, Congress has provided more money for research programs of the National Institutes of Health than the annual budgets have proposed. Spending in this field has soared from \$58 million in 1952 to nearly \$1 billion in 1964.

Because of the failure of the Administration to win enactment of many programs proposed this year and because hefty cuts are being made in such areas as foreign aid and space research, budget officials may claim overly optimistic reductions in outlays for fiscal '65. This, of course, is because cuts Congress makes in appropriations do affect future spending. But the impact of cuts in any one year is difficult to measure. Spending for a particular year comes partly from appropriations that may have been approved several years before and were carried over as unspent balances. Usually, about two thirds of what is spent in any one year will be from appropriations that year and one third from past appropriations.

Budgetary optical illusions are not original with the Kennedy Administration. During President Eisenhower's time, for example, sophisticated analysts on Capitol Hill and elsewhere were taken aback when they spotted one item in the fiscal 1956 budget. Some \$1.7 billion in the Defense Department budget was described as "unallocated reduction in estimates."

In President Eisenhower's budget message to Congress he explained away this irregular accounting procedure this way: "The success of the Secretary of Defense [Charles Wilson] in introducing improvements in planning and efficiencies leads him to believe he will find more opportunities for savings..."

This highly tentative and uncertain saving enabled the President to present a budget \$1.7 billion lower than otherwise.

#### Shrinkage could be \$5 billion

If all the budget-shrinking tricks are tried this year, fiscal officials

Business prospects for '64 are bright, say top executives surveyed by Nation's Business. Poll results are on page 33

could, with a perfectly straight face, underestimate spending for the coming year by perhaps \$5 billion.

Even with the best of skills, intentions and luck, budget estimating is hazardous. This is so partly because estimates must be announced in January for a fiscal year that doesn't begin until six months later. Over the past five years federal spending has been underestimated, on the average, by \$3.2 billion annually.

In addition to wanting to keep spending as low as possible, the Administration wants revenues to be as high as possible so the budget deficit will be as low as possible.

Estimating revenue for the coming fiscal year will be even more difficult because of uncertainty over the tax cut. Revenue estimators must work with more than 100 equations which account for major variables that must be considered in knowing how much tax revenue will flow in from individuals and businesses.

Final estimates of revenue are made by Treasury Secretary Douglas Dillon, Chairman Walter Heller of the Council of Economic Advisers, and Budget Director Gordon. They privately and jestingly refer to their three-part group as the "Troika."

Estimates are being made on the assumption that tax reduction will be enacted and that the impact will be such that tax receipts will rise by as much as \$20 billion over the next three years, because the extra money in private hands would be spent to stimulate the economy. However, if the tax cut is passed. it would mean that the revenue cost would be much heavier than in the current fiscal year. That's because the full effect would not come until the second year after passage. So there would have to be enormous thrust given to the economy with huge revenue potential to get a budget deficit smaller than the one anticipated this year.

### **Public persuasion**

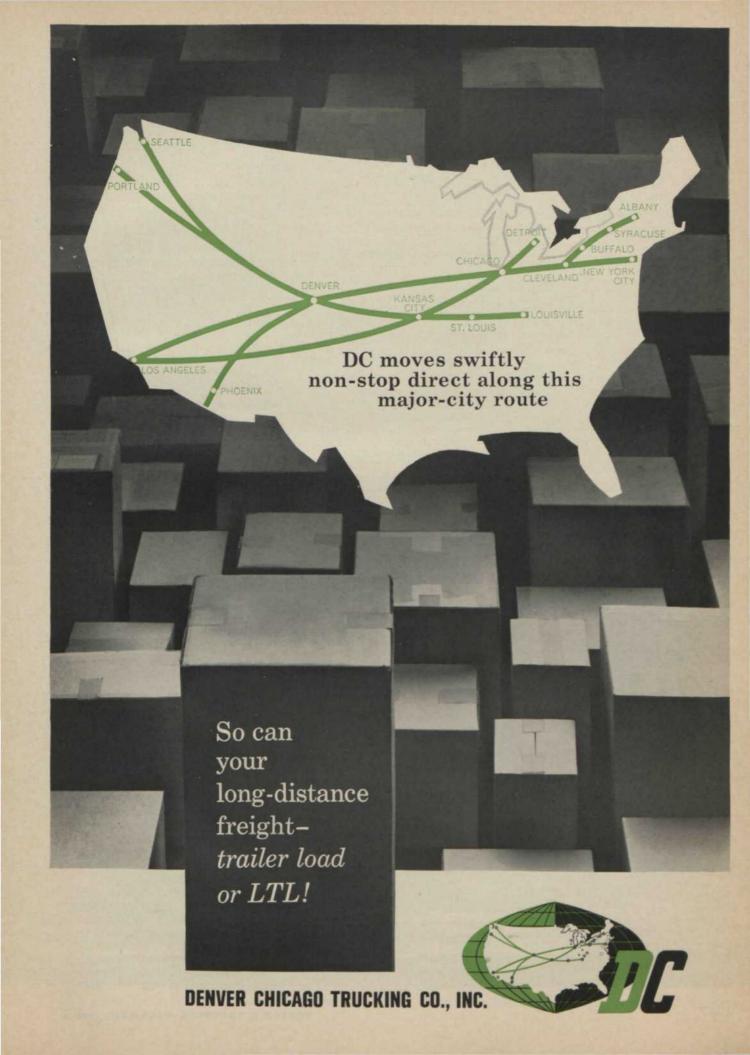
The third part of the Administration strategy on budgetary matters seems to take the form of a public relations campaign to convince people that the government is spending only what is absolutely necessary, that only a tiny portion of the budget is really subject to controversy, and that a big country like ours demands big spending.

In a recent speech, for example, Budget Director Gordon declared that it is a fact that three fourths of expenditures go for activities that were considered proper functions of the federal government in its earliest days. He listed such functions as defense, postal service, justice, aid to veterans, and interest on the debt.

Mr. Gordon claims that "the argument that we are spending too much usually focuses on the very large numbers which compose the federal budget." He adds, "Large numbers may mesmerize, but they do not provide much illumination... Just as President Roosevelt outspent President Hoover . . . so did President Eisenhower outstrip President Truman by the handsome sum of \$182 billion."

By the end of this fiscal year, Mr. Gordon says, there will be 10 million more Americans than on the day President Kennedy took office. Our price level has climbed over the years so that "it is 10 per cent above its level a decade ago."

Apart from defense, "federal budget expenditures have trailed the growth of the economy in recent years," Mr. Gordon argues. "As a proportion of gross national product, they are substantially lower today than they were before the war in



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### **BIG SPENDING**

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1939 or after the war in 1949." The facts are that population growth affects less than one quarter of the budget. Even so, over the past decade, such spending has risen nearly 10 times as fast as population.

As for price inflation, although it has cost the government more to buy its needs over the years, the increase in spending for nondefense items has gone up about eight times as much as the increase in the consumer price index.

As for whether federal spending is keeping up with the growth of the economy, federal expenditures from 1955 to 1964 will have averaged over 6.5 per cent increase a year compounded, compared with an average rise of about five per cent in the gross national product.

### A look at the record

The idea that public services were starved in the years just prior to the 1960's is highly questionable. From 1955 to 1960, national income rose by 26 per cent. But outlays by all levels of government for public services far outdistanced this rise in income. Spending for education, for example, rose at almost twice the rate of increase in income.

It is also a myth that defense spending is the main reason for boosting the budget to increasingly higher levels. The fact is that, between 1960 and 1964, nondefense spending has risen more than twice as fast as defense spending.

When the fiscal 1965 budget is announced in the next few weeks, the press and public will concentrate, as they always have, on the spending figure. On this figure will be based voters' impressions of whether the budget is tight or loose.

But the alert citizen will probe deeper. He will want to know what new spending authority (new obliational authority) is requested. This is what the President really wants appropriated. The alert citizen also will realize that the figure in the news represents only about 70 per cent of what the federal government really is spending, since trust funds are not included.

Finally, the alert citizen will know that both the expenditure and revenue estimates are just that. They are estimates that may be billions of dollars off because they are based not only on economic and accounting assumptions but on political strategy as well.

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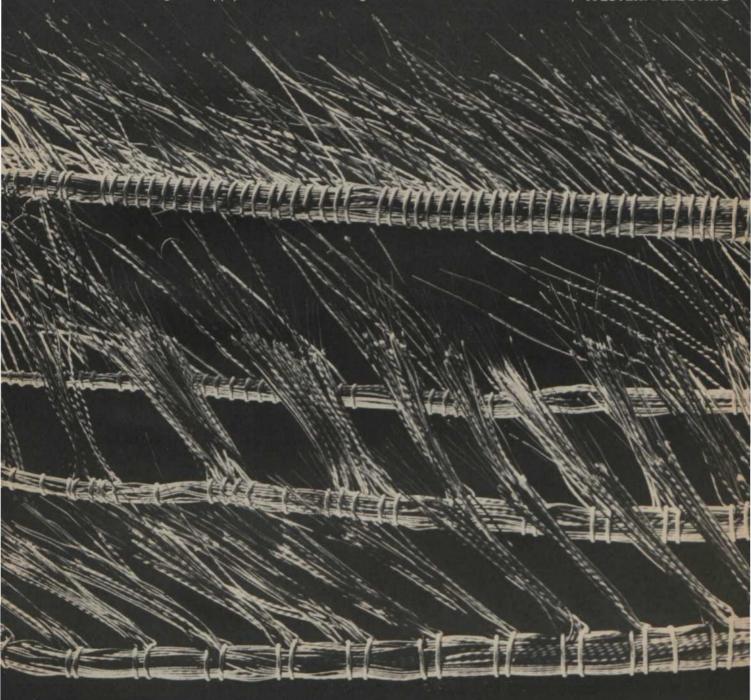
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# LOOK TWICE AT PROFITS RECORD

NEWS REPORTS tell of profits setting a new record this year.

These reports may be misleading—unless they point out also that the record high is in dollars only.

Actually, profits—which are the wages paid for investment—this year are far below the rate back in 1947.

In that year profits were almost five per cent of sales. Since then sales volume has more than doubled. Profits lag, at about two and one half per cent.

To say then that profits are higher now is like saying that a craftsman's income is at a record high while overlooking the point that he had to work more than twice as many hours at a reduced wage to make that income.

There are indications that some of the lost profit ground may be regained. See page 36.

While this is good news for businessmen, it's even better news for the unemployed. Business puts profits to work buying new plants and equipment—expanding. That puts people to work.

Better profits would create more jobs.



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"The economy of our first Ford N-7000 Diesel caused a radical change in our thinking about city delivery trucks.

"Our Ford cut running costs by over 66% compared with the average first-year experience of our other trucks—a result so amazing we checked and rechecked before accepting it.

"We also found that the Ford Diesel spends a lot less time in the shop, and consequently was on the job for 18% more miles. After one full year and 24,000 miles of service, we've never had a city truck as trouble-free or as economical as this Ford N-7000 Diesel. If the 22 new units turn out to be anywhere near as good—and indications are they will—we'll certainly be adding many more."





Outstanding Reliability & Durability



Good grief!
No wonder
Suzie's always
selling me on

a postage meter!... The Christmas cards I send out to my customers came in two weeks late—on the afternoon I told Suzie she could have off for Christmas shopping. Mailing cards sort of starts off the Christmas season with a bad taste—gluey! Never realized

that sticking stamps was such a time waster and a nothing job. So I guess I'll give Suzie a break by getting a postage meter now!"

Even if you don't have much mail you can still have all the advantages of metered mail—with the little, low-cost Pitney-Bowes DM, the desk model postage meter, made for small business. Do away with stamp sticking, adhesive stamps and pre-stamped envelopes, the

locked stamp box, and those rush trips to the postoffice.

The DM prints postage as you need it, any amount, for any class of mail. Also prints your own small ad, if you like one. Makes mailing faster, neater, easier. Protects your postage from damage or misuse; and accounts for it automatically and accurately. And the cost? About 30¢ a day!

Powered models for larger mailers. Call any of 170 PB offices and ask for a free demonstration of the meter you need.

FREE: New booklet, "8 Questions to Ask Yourself About Your Use of the U.S. Mails," plus handy chart of latest postal rates. Send coupon.



